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"THE SURVIVAL OF THE FITTEST"

—OR—

TRUTH STRANGER THAN FICTION

—BY—

REVD. J. THOMSON PATERSON.

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EDWARD B. HARPER.

President of the Mutual Reserve Fund Life Association, of New York.

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THE SURVIVAL OF THE FITTEST,

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BY REV. J. THOMSON PATERSON,

MONTREAL, QUE.

PREFACE.

In many instances the wife and children are dependent on the husband and father for support, and if he is cut down they are left to earn their living as best they may. How most efficiently to provide for such an emergency is a question which engages the attention of every true man.

And that this desire may be stimulated and its accomplishment more easily attained is the writer's object in the publication of this pamphlet. The statements contained in it are facts substantiated by the most incontestable proof, and no amount of sophistry, however ingeniously applied, can confute them. J. T. P.

CHAPTER I.

In any life insurance company the necessary expenditure may be summed up under two heads ; —expense of management and amount required for the payment of death claims. If these can be defined, the cost of insurance can easily be determined. That the expense of management can be defined, is self evident. The remuneration of agents, book-keepers, clerks, etc., in connection with an insurance office is definitely fixed, and if exorbitant, it is clearly the fault of the officials. And that the amount required for the payment of death claims can be, even more accurately, determined is evident from the following facts. The Legislature of the state of New York passed an Act in 1859 compelling all life insurance companies doing business in the state to send in annual reports to the Insurance Department, giving a statement of the amount expended in the payment of death losses, the income, insurance in force, etc., etc. The statements contained in the reports are subscribed and sworn to by the chief agents of the different companies, and are published at the expense and under the supervision of the Legislature in the Annual Reports of the Superintendant of Insurance. The following table, compiled from these Official Reports, shows the actual amount per $1,000 required to provide for death losses, at all ages *each year*, and the amount received for each $1,000 of insurance in force, as stated in the annual reports of the New York Life, and Mutual Life, covering a period of twenty-eight years, beginning seventeen years after they commenced business. Keeping these points in view the table will *be both* interesting and instructive.

No. I.

NEW YORK LIFE,
ORGANIZED 1842.

Years.	Total Death Loss to each $1.000 Insurance in force Yearly Cost.	Receipts for each $1.000 Insurance in force.	Years in Existence
1859	*15 38	36 93	18
1860	12 45	37 13	19
1861	10 33	37 30	20
1862	7 64	40 10	21
1863	11 34	44 37	22
1864	9 16	49 65	23
1865	10 83	51 55	24
1866	8 07	50 96	25
1867	8 15	51 74	26
1868	8 57	52 00	27
1869	7 45	60 91	28
1870	11 35	59 15	29
1871	11 72	63 46	30
1872	12 71	63 07	31
1873	12 23	59 13	32
1874	11 49	65 10	33
1875	13 10	62 08	34
1876	12 70	60 50	35
1877	13 20	59 21	36
1878	14 24	61 08	37
1879	11 66	61 89	38
1880	13 49	65 00	39
1881	14 08	68 08	40
1882	11 32	67 00	41
1883	11 62	66 40	42
1884	10 21	60 31	43
1885	11 09	61 25	44
1886	9 76	61 87	45

Average amount of death claims per year for each $1.000 of insurance........................$11.40

Average amount of income per year for each $1.000 of insurance in force.............................$60.89

Average excess of income per year over Death Losses on each $1.000..................................$49.49

MUTUAL LIFE,
ORGANIZED 1842.

Total Death Loss to each $1.000 Insurance in force Yearly Cost.	Receipts for each $1.000 Insurance in force.	Years in Existence
* 9 67	41 05	17
8 91	38 30	18
9 51	41 72	19
11 62	43 82	20
12 18	39 70	21
11 22	42 38	22
8 61	42 00	23
8 45	50 17	24
6 88	59 60	25
6 13	64 10	26
9 68	71 43	27
8 68	60 52	28
10 15	68 04	29
9 10	67 00	30
10 03	74 82	31
9 93	65 78	32
7 99	66 87	33
10 90	66 43	34
10 44	64 22	35
12 06	61 37	36
12 80	59 01	37
14 13	56 06	38
14 15	54 60	39
14 53	54 40	40
15 08	53 96	41
14 54	54 25	42
16 09	54 80	43
14 23	53 67	44

Average of death claims per year for each $1.000 of insurance in force......$11.76

Average of income per year for each $1.000 of insurance in force........$59.59

Average excess of income per year over Death Losses on each $1.000....$47.83

An examination of the above table reveals the fact that during the last twenty-eight, of the forty-four years, that the New York Life, and Mutual Life, of New York, have done business the average amount required for the payment of death losses at all ages has been less than twelve dollars ($12.00) per year for each $1.000 of insurance in force, and that their income

during the same twenty-eight years has been over sixty dollars ($60.00) per year for each $1,000 of insurance in force. That is, their income has been over five dollars ($5.00) to every one dollar ($1.00) paid in death claims.

It is interesting and *important* to notice that there was only a difference of thirty-six cents (36c.) in the average amount required for the payment of death losses in the two companies above quoted during the twenty-eight years of which we have official returns.

There are at least six other companies that have been in business for over forty years the experience of each one of which coincides with and corroborates the experience of the New York Life and Mutual Life of New York.

That an average of twelve dollars ($12.00) per $1.000 of insurance in force is more than sufficient to pay the death losses is proved beyond the possibility of a doubt by the facts above stated which facts are confirmed by the official returns of at least thirty companies extending over a period of nearly thirty years from which it appears that the actual cost incurred in the payment of death losses, at all ages has averaged less than $11.00 per $1,000.

If the cost of life insurance cannot be defined from data such as I have given, it is still an unknown quantity and the business a game of chance and not a science. It does prove beyond the possibility of a doubt, that an average income of $12.00 per $1,000 at all ages exclusive of expenses, will more than provide for the death losses of a life insurance company for the first 45 years of its existence, and this is probably longer than the majority of the present generation will require the protection of life insurance.

That the premiums collected by insurance companies is much higher than is necessary under proper management is becoming more apparent every year. The great majority of men have neither the time nor the inclination to investigate the matter for themselves, and, though conscious that the premium is too high continue to pay it year by year while their family is depending upon them for support. In order to settle the question let us again consult the Official Reports of the Insurance Commissioners or Superintendents of Insurance of the United States and Canada, from which it appears that, while the average amount required for the payment of death losses at all ages has been less than $12.00 per

$1,000, the average income of these companies has been from $58 to $60 per $1,000.

From the experience of the 30 companies already referred to, collated from their own annual statements, attested and sworn to by their own officials, and published in the Reports of the various Insurance Departments, it appears that the actual cost of insurance, in paying death losses exclusive of expenses, has been $6.58 per $1,000 at 40 years of age. The premium collected by these Companies at that age during the entire period of nearly 30 years was $31.30 per $1,000 or 450 per cent above the actual cost of insurance for death losses. It appears from an examination of the Official Records of the Insurance Department of the State of New York, that out of 1,600 millions of dollars actually received in cash during the last 20 years by old line companies, they only paid out for death losses and matured endowments 408 millions of dollars; or about $1,000 in death claims and endowments for every $4,000 of income. In other words, they received more than one million dollars every week of the entire period of 20 years in excess of death losses and endowments. And over and above all expenses, dividends, losses and every other kind of disbursements, appearing in their accounts, there are 75 millions of dollars entirely unaccounted for.

CHAPTER II.

In view of these facts it follows that life insurance companies must expend enormous sums of money for other purposes than in the payment of death losses. And that such is really the case is self evident.

No other business could stand the enormous expense incurred in the management of "old line" or Level premium life insurance Companies. Buildings that might have stood for centuries are taken down and new ones are erected and equipped regardless of expense.

The most costly material and expensive sites are selected. Ash, Elm, or Birch are good enough for the offices of a manufacturing or wholesale establishment, however wealthy, but they are too common to be allowed in the Head Office of an Insurance

Company; Cherry, Walnut, or Mahogany must be used in the construction of the Counters, Desks, Shelves, etc., of such important and wealthy institutions. Millions of dollars have been, and are still being, sunk in this way that have been collected in the name of the widow and orphan, that never have and never will, bring three per cent. interest.

Nor is this all. The salaries of the officials of life insurance companies are as a rule, from three to four times higher than those of officials of equal ability in other branches of business. In proof of this statement I quote from the Report of the New York Assembly Committee of Insurance of 1877, from which it appears that according to the statements of their Presidents then made, under oath, the enormous sum of $1,067,565,72 were expended in salaries to officers and others, by the Mutual Life, the New York Life, and Equitable Life, of New York in one year. And from page 39 of the same Report, it is admitted by one of these officials that his salary and commissions amounted to $264,557.23 in five years, and that in one year he received $77,500.00.

Another example of the lavish hand with which the funds of life insurance companies are dispensed is furnished by the sworn statements of their officials, as to the amount of dividends paid to stock holders, and published in the reports of the Superintendent of Insurance.

The two largest and oldest stock companies doing business in Canada have now a paid up capital of $1,125,000.00, $1,116,000.00 of which were paid by the policy holders. That is the surplus over the payments for death losses and expenses contributed by the policy holders, instead of being handed back to them, or better still, being left in their pockets, has been given to the stock holders, and now they are annually receiving dividends on $1,116,000. to which they never paid one cent.

From the Report of the Superintendent of Insurance of 1886 it will be seen that the stock holders of those two companies received in that year alone $187,500.00 in dividends, *i. e.* $78,500. more in dividends in one year than the total amount originally paid by them. The dividends etc., etc., appropriated by the stock holders of these two companies alone, during the last six years amount to over $1,000,000.00, a sum which is equal to nearly $500 daily during the entire six years.

It is a fact that the average amount expended in management, etc., by "Old Line" life insurance Companies, for the last twenty years has exceeded $125.00 to each $100.00 paid in death claims. If any one questions this statement, he can easily satisfy himself by consulting the official returns of these companies, as published in the annual Reports of the Superintendent of Insurance.

And yet, notwithstanding all this extravagance the surplus funds of these companies are increasing by the millions. The Mutual Life of New York makes the boast that it could cash a cheque for the whole amount of money in circulation by the Bank of England and still have a surplus. To whom do s this money belong? It has been taken from the policy holders and belongs to them, but the child is yet unborn who will ever receive any portion of it, unless the State interferes and orders the distribution of it.

In the annual Report of the New York Life in 1886, the following astonishing statement is made :

"During each of the last thirteen years the interest earnings of the New York Life have been more than sufficient to pay its death losses, the excess since 1883 having been over six million dollars. During the forty-two years of the Company's existence, its interest earnings have exceeded its total death losses by over three and a half million dollars."

That is, the New York Life has extorted from its policy holders during the last forty two years, in addition to the amount required for the payment of death losses and every other item of expense, a sum the interest of which amounts to over forty millions of dollars.

This fact alone should be sufficient to convince any one that the rates of ordinary life companies are too high.

In the discussion of the question so far at least three important points have been proved : FIRST, that the cost of insurance for the payment of death claims does not exceed $12.00 per $1,000 at all ages. SECOND, that the income of ordinary life insurance companies averages from $58.00 to $60.00 per $1,000 insured. THIRD, that the rates of ordinary life insurance companies are at least fifty per cent higher than they need be.

CHAPTER III.

Having followed me thus far, I trust the reader will follow me to the end. My aim is not to destroy but to build up, not to discourage, but to foster life insurance. There are few men who appreciate the good which it has done more highly than I do. I paid the high premiums collected by Old Line Companies for years, before I found the more excellent way, and would do so still if I could not get it for less. I hold it to be criminal neglect, on the part of any man, who can be insured, to run the risk of leaving his family destitute, when such a calamity can be prevented by a little forethought and the self denial involved in the payment of a life insurance premium. I am now insured in the Mutual Reserve Fund Life Association and have induced many others to do so also. I did not take this step unadvisedly, but after a most careful study and investigation of the question, and the more I know of the Association, its President and excellent Board of Directors, the more I am convinced that my decision was a wise one.

Life insurance under any and all systems, consists in collecting rom the living to pay the representatives of the dead, and, that this is done as simply, directly and inexpensively by the Mutual Reserve as it is possible to do it, consistent with security, is evident from its past history. It has paid over $4,600,000.00 in death losses within the last seven years at a saving of over $14,000,000.00 to its policy holders, as compared with what the same amount of insurance would cost in old line companies.

Nathan Willey, actuary and author of "Principles and Practice of Life Insuraece," says: "Whatever makes a person free from care in regard to want and support of his family has a tendency to prolong life." Doubtless, this accounts for the fact that the death rate of the Mutual Reserve is lower than that of any other Company having the same number of members and amount of business in force, for who could estimate the care and anxiety of which the members have been relieved in the saving of $14,000,000.00 in the cost of insurance as above mentioned. In all life insurance companies, in addition to the amount required in caring for the old, there is always an extra expense in connection with the new business.

In order to meet these expenses, the Mutual Reserve Fund Life Association collects an admission fee and $3 of dues per $1,000; the admission fee defrays the expense incurred in getting the new business, and is payable in advance once only; the dues are used in taking care of the old business, and are payable annually in advance. The admission fee and annual dues, are the same at all ages, but the amount required for the payment of death claims and the Reserve Fund are graded, according to age and amount of insurance carried.

The executive officers are required by the constitution at the expiration of every sixty days, to wit: on the first week days of February, April, June, August, October and December, to call upon the members for a sum equal to the amount actually required for the payment of the approved death claims and Reserve Fund. Seventy-five per cent. of each call is applied to the payment of the death claims, and twenty-five per cent. is set aside in the Reserve Fund. The principal of this fund is invested in First Mortgage Bonds on real estate worth twice the amount loaned, bearing interest at, at least, 4 1-3 per cent., which is paid into the death fund and takes the place of the increase of cost by reason of increase of age, thus enabling the Association to keep its rates of mortuary premiums the same as at date of entry. The rates are based on the Experience Tables of mortality and provide for a death loss of $17.94 per $1,000 exclusive of expenses, at all ages, which is nearly $6 per $1,000 in excess of the actual cost of insurance, as proved by the experience of companies with a record of forty-five years. And, if in any one year the death losses exceed the maximum amount indicated, the constitution provides that the excess may be paid out of the Reserve Fund. The mortuary premiums may be paid every two months, or once a year, as desired. If paid every two months the sum total of the six calls will not exceed the yearly maximum amount per $1,000 indicated in the tables of the Association; if paid annually, the amount not required will be allowed on the next year's premium.

As the Reserve Fund is the most important and scientific feature of the association a summary of how it is accumulated, protected, and utilized will be of interest. Every member must pay the admission and Medical Examiner's fee, and the annual dues

before he receives his policy and this defrays the expenses incurred in getting his business. He must contribute his full share of the amount required for the payment of the death losses, and 25 per cent. to the Reserve Fund, so long as he remains a member, and when he ceases to be a member of the Association, at any time, within the first fifteen years, it matters not how; whether by death or by lapse, he leaves one quarter of all he paid in assessments for the benefit of those who keep up their insurance. This which at first seems an injury is just and equitable. The interest earnings from the Reserve Fund are used in the payment of death claims, and thus every member receives an immediate benefit.

Suppose, E. G.. that on 1st February there are $100,000 of death claims due, and that, there are $30,000 of interest coming from the Reserve Fund; the amount that the members will have to pay will only be $70,000 instead of $100,000. This is why the Association is able to keep its rate of mortuary premiums the same as at date of entry. The interest receipts have taken the place of the increase of cost by reason of increase of age. If a member keeps up his policy for fifteen years, he gets back his portion of the principal of the Reserve Fund, which shall be applied to the payment of future premiums or taken as a cash surrender value for the policy, as the policy holder may then direct. If death takes place while his policy is in force, his heirs get from $10 to $20 or $30 for every $1.00 he paid for his insurance. And if he allows his policy to lapse he has had the protection of life insurance for about one-half the amount which it would have cost him in an ordinary life company, and as he himself has benefitted from the contributions to the Reserve Fund of those who preceded him, he must in his turn, forfeit his portion of this fund for the benefit of those who succeed him.

The Reserve Fund now exceeds one million, five hundred thousand dollars, ($1,500,000.00), and is increasing at the rate of over one thousand two hundred dollars ($1,200) daily. This fund is utilized for the benefit of the members as follows: 1st,—In granting extended insurance; policies in force five years shall be carried six months, policies in force for ten years shall be carried one year for the full amount after the failure to pay assessments or dues. This secures to the Policy holder an all but absolute guarantee against the possibility of his policy lapsing on

account of an oversight on his part. 2nd.—After the expiration of fifteen years from the date of membership, a member, by giving the company one year's previous notice, has the privilege of surrendering his policy and withdrawing his contributions and tontine profits from the Reserve Fund in cash. This gives a *cash surrender value to the policy.*

Should a mem er, at the expiration of the fifteen years not desire to surrender his policy or terminate his membership, the entire amount of his Reserve Fund accumulations will be placed to his credit and used in the payment of future dues and assessments. 3rd.—Should the amount required for the payment of death losses exceed the amount indicated by the Experience Tables of Mortality, the excess will be paid out of the Reserve Fund. *This guarantees that the cost of insurance shall not exceed a definite and fixed sum each year.* 4th.—Should members fail to respond to their calls, at any time to such an extent as to render it impossible to pay the death claims, then the Reserve Fund can be used for that purpose. This provides a definite guarantee that all death claims shall be paid in full at all times.

Every precaution has been taken to protect the Reserve Fund against the possibility of its being misappropriated. Experience proves that it imperils the safety of any financial institution, and demoralizes the officials to place the *sole custody* of large sums of money in their hands to be controlled by them at will.

The Mutual Reserve has by the appointment of a separate corporation as Trustee for its policy holders, [the Central Trust Company, of New York, with over $20,000,000.00 of assets,] removed this *temptation* and placed the surplus funds of its members beyond the control of the officials and who can never handle a single dollar of it without first giving satisfactory proof that it is required for one or other of the purposes above indicated. The following extract from the "Report of the Investment Committee" shows how carefully the Reserve Fund is invested and protected.

Extract from Report of Investment Committee.—"This committee is composed of five of your directors, and all applications for loans are referred to it. Such as appear desirable are investigated by us, not less than three members having personally to examine the property and make a favorable written report before the matter is brought before your Board of Directors. Applications which are reported favorably are carefully considered by

your Board of Directors, and if approved, are referred to Mr. Coleman Chairman of the Board of Tax Commissioners of the city of New York, by whom the property is examined and appraised, if his report is favorable, and the amount asked for is not more than 60 per cent. of his valuation, the application is submitted to the President of the Central Trust Co. of New York; if he advises to make the loan, and it seems in every way desirable, the title to the property is thoroughly examined by the counsel of the association, and if approved by them, the loan is made. Every dollar of the Reserve Fund must go through the above process before it can be loaned. When a loan is made, the Central Trust Co. takes the bonds and insurance policy before paying out the money, leaving us the mortgages long enough to get them recorded, and then taking them also.

"All loans are deposited with the Central Trust Co. and we cannot collect so much as the interest upon them, said Company holding power of attorney for that purpose, and having control of the whole matter under the deed of trust giving it by your association. These precautions were not adopted under the advice of authority, or the coercion of law, but are safeguards which the officers of this association have voluntarily thrown around its Reserve Fund, and are so far as we know, without precedent or parallel.

Respectfully submitted,

SAMUEL A. ROBINSON, M.D.,
Chairman of Finance Committee on Investments.

HENRY J. REINMUND, Comptroller,
(Late Superintendent of Insurance State of Ohio.")

This fund serves as a guarantee to policy holders that the cost of their insurance shall not exceed the amount indicated by the Experience Tables, and that every just claim shall be paid in full, no matter how many refuse to pay their mortuary calls. In other words, the Reserve Fund of the Association serves every purpose in the way of security and exemption from liability, that the capital of a stock company does with greater advantages to policy holders.

1st. It is an actual cash asset, and not an asset on paper merely as is nine-tenths of the capital of stock companies, which may, or may not be paid, according to the financial standing of the stock holders when the stock is called. 2nd. The Reserve Fund now amounts to over $1,500,000.00, which is $1,375,000,00 more than the paid-up capital of the oldest stock company on the continent of America, and nearly $1,000,000,00 more than the paid-up capital of all the ordinary life Canadian stock companies combined. 3rd. The interest earnings of the Reserve Fund, now amounting to over $60,000.00 annually, are paid to the members and not absorbed in the payment of dividends to stock holders;

and an equitable proportion of the principle is returned to members after fifteen years membership, instead of being used to pay up the stock for the benefit of stock-holders as is usually done by stock companies. See History of Dividends, &c., appropriated by stock holders.

In the report of the Superintendent of Insurance for 1886, under the heading of "expenditure in the returns of an old line stock company there appears the following item.

"Written off loans on real estate, (mortgage having proved a forgery) $2,000,00."

As will be seen from the extract from the "Report of the Investment Committee," a fraud such as the above mentioned could not be perpetrated on the Mutual Reserve.

How such a fraud could be possible, in view of the fact, that this same company paid $8,149.32 for "*Solicitor's Charges*" and "*Valuation Fees*" seems a mystery, and is surely sufficient to show the importance of the precaution taken by the Mutual Reserve.

CHAPTER IV.

Having briefly outlined the plan adopted by the Mutual Reserve I shall now make a few comparisons as to cost security, and cost of management.

1st. AS TO THE COST OF INSURANCE. COST OF $10,000.00, LIFE INSURANCE in the Mutual Reserve, and in an ordinary life or old line company respectively. It is assumed that the insured will live out his expectation and pay full rates in an old line company, and the maximum amount each year in the Mutual Reserve, the admission fee and medical examiner's fee being included.

TABLE No. II.

Age.	Mutual Reserve.	Old Line Co.	SAVING.
40	$4,567.50	$ 8,764.00	$4,196.50
50	$4,314.00	$ 9,436.00	$5,122.00
55	$5,389.50	$10,184.70	$4,795.20

It will, no doubt, be argued that old line companies give profits to which I answer so does the Mutual Reserve. The dividend in 1886 was 33⅓ per cent. of ⅓ of all assessments paid. The interest alone, on the amount saved by insuring in the Mutual Reserve would yield a profit of nearly a thousand dol-

lars, during the expectation of life. I shall explain how this is possible, and where the money comes from later on.

2nd SECURITY. (A). The rates of the Mutual Reserve, though 50 per cent. below old line companies, provide for $17.92 per $1000 for death losses, at all ages, exclusive of expenses, while, as I have already proved, $12.00 per $1000 is more than sufficient.

(B). The Mutual Reserve has now over 50,000 members upon each of whom it can call for their proportion of the amount required for the death losses and expenses, up to the American experience Table of mortality and 33⅓ per cent. in addition for the Reserve Fund. If any member refuses to pay, his policy lapses and the association is relieved of all liability to him. This is exactly the same as in an old line company except that the cost is 50 per cent. more than in the Mutual Reserve. Every policy holder must pay his premium when it is due, in any company on any plan, or he is cut off and is no longer insured. The great aim of nine-tenths of all who insure is that those who are dependent upon them for support, may be provided for in the event of their being taken away in early life. This is the only influence that can be brought to bear on any one to induce him to pay the premium; there being no law by which any one can be compelled to continue his insurance one day longer than he so desires. And the company or system that furnishes life insurance and good security on the easiest terms, will be the one that will grow in favor and overshadow and supplant companies doing business on a more expensive and less secure basis. This is why the Mutual Reserve has now more business in force at the commencement of its eighth, than the New York Life had in its fortieth year. Its system has only to be known to be appreciated.

(C). The Mutual Reserve has $100,000.00 more Government Deposits than the law requires and is prepared to place all the Reserve Fund in the Insurance Department for the security of the members if the Government so desire.

(D). The Mutual Reserve Fund Life Association has always on hand in cash securities *three thousand dollars for each one thousand dollars* of unpaid death claims. In other words, it can pay in full every death claim three times over, without receiving a single additional dollar from any of its members.

(E). *It is the only Life Insurance Company* where its assets are placed in the hands of third parties, the great Central Trust Company, of New York (with assets of over $20,000,000.00), and with Government authorities, who hold the same as trustee for the exclusive benefit and protection of the members, and so invested and held that neither the Trust Company or the Officers or Directors of the Association can divest the members of their rights in the accumulated Reserve Fund or misappropriate the same.

See Report of Investment Committee on Page 16.

3rd. Management.—The best possible way to test the efficiency and executive ability of the management of any Life Insurance Company is to examine its record, and as will be seen from the following, collated from the sworn reports of the various life insurance companies, to the New York Insurance Department, for the year ending December 31st, 1886, the Mutual Reserve Fund Association leads all other companies.

1st. *It has the most economical management.*—Its expenses to each $1,000 of insurance in force being $2.35, but one-third the average of all other companies, the lowest being $5.95, and the highest $14.76.

Its expenses or each $1,000 of new business were only $6.20 while the lowest of all other companies were $28.13; the expenses of one company running as high as $121.94 for each $1,000 of new business.

2nd. *It has the most careful management*, and as a result of this *its death losses are lower than that of any other company;* its members being carefully selected, and its funds devoted only to the payment of just claims. Its death claims to each $1,000 in force were only $7.65; the lowest of all other companies $7.78.

3rd. *It has the most energetic management.* (A). Its percentage of new business to amount in force being $46.25, the highest of all other companies $36.66; the lowest $5.48. (B). The increase in its surplus was greater than in any other company, being $76.14; the highest of all other companies $18.02, the lowest, four cents.

4th. *It is the safest company.* Its assets to each $100 liability being $230; the highest of all other companies $142, the lowest $113.

It is self evident, that if the same care is exercised in the selection of risks, the death losses will be the same or nearly the same under any system, consequently the company, or system which carries on its business on the most economical basis will be the best for the policy holder. The following extract from Mr. Tabor's "Three Systems" page 67, will be of interest to the reader.

"In looking over the companies for a series of years it will be seen that their expenses have averaged from $5.00 to $15.00 per annum for each $1,000 of insurance in force." In the Mutual Reserve the expenses are limited to $3.00 after the first year.

CHAPTER V.

Two questions:—"How can the Mutual Reserve furnish insurance for so much less than any other company?" and "How can any company pay $10,000.00 to the representatives of a deceased policy holder from whom they only received $4,314?" are often asked; I shall try to answer both, as briefly and clearly as possible.

1*st Question.*—Extra expense is necessarily incurred in getting new business in any company. In the Mutual Reserve this expense is limited to the admission, and medical examiner's fee, which are paid by the applicant. In ordinary life companies this expense is usually provided for by allowing agents a commission, which varies from 40 to 60 per cent. of the first, and from 7½ to 10 per cent. of each subsequent year's premium.

If this statement is contradicted over the signature, in his official capacity, of the President, Manager or Secretary, of any ordinary life insurance company I shall publish *verbatim et literatim* extracts from contracts which will settle the question.

The following extracts will suffice for the present.

"Some of the most profitable general agencies of our leading companies yield a revenue of from $10,000 to $30,000 per annum, and nearly all of this is from renewal commissions."

N. Willey Life Agents' Instruction Book, Page 87.

"REBATE INIQUITY."

"Notwithstanding all that has been written on this subject, the evil still continues, and the most glaring cases are of almost

daily occurrence. One remarkably outrageous case has come under my notice within the past month.

Several agents were in pursuit of a risk for $10,000, until it became a case of who could put the greatest monstrosity in the shape of estimates on paper. All were adepts at this, and all the big companies were on the trail. Until finally an agent named such a rebate that he was promised the risk."

"This practice, I hold, is dishonest on the part of the company which allows it, and a simple illustration will suffice as proof. Jones insures for $50,000, premium, say $2,500 per annum, and receives a rebate of fifty per cent. as in the case just mentioned; while Smith, insuring with the same company for same amount, pays full premium. Jones has the advantage of Smith in the way of profits equal to $1,250 with its accumulations, and the longer the contract runs the greater the advantage. The general agent who does this sort of business is acting most dishonorably, and his name should be given to the public."

INSURANCE AND FINANCE CHRONICLE,
Montreal, January, 1888.

The *Insurance Chronicle* is an old line journal and will not be suspected of stating the matter too strongly.

It is an open secret that a few years ago the Equitable, of New York, paid their Montreal agent $115,000.00, and their agent in Paris, France, $70,000.00, on the condition that they relinquish their contracts, from which it appears that they must have had extra good terms.

TABLE No. III.

Assuming that, old line companies pay agents a commission of 60 per cent. on new business, and that the whole of the admission fee is spent in getting new business in the Mutual Reserve, the following shows the saving the first year on $20,000 insurance.

Cost of securing $20,000 insurance.

Age.	Premium.	Old Line Agent's Commission.	Mutual Reserve Admission Fee.	Saving First Year.
40	$626 00	$375 60	$80 00	$295 60
45	759 40	455 64	80 00	375 64
50	943 60	566 16	80 00	486 16
55	1,198 92	718 80	80 00	638 80

TABLE No. IV.

The following table shows the saving the second, and each subsequent year on a $20,000 policy.

Age.	Premium.	Old Line Agent's Commission, 10 p.c.	Max. Assessments.	Mutual Reserve Cost of Collection, 4 p.c.	Saving.
40	$ 626 00	$ 62 60	$253 40	$10 52	$52 08
45	759 40	75 94	299 20	11 96	63 98
50	943 60	94 36	367 40	14 68	79 68
55	1,198 92	119 89	599 00	23 56	96 32

To the above commission there must be added at least 50 per cent. for salaries, travelling expenses, etc. to Superintendents, Inspectors, etc. in the employ of old line companies. This as will be seen will more than exhaust the balance of the first year's premium. In order to defy contradiction as to cost of collection under the system of the Mutual Reserve and the Old Line plan respectively I subjoin the following extracts taken from the annual statements subscribed and sworn to by the chief agents of the Mutual Reserve, and Canada Life, and published in the report of the Superintendent of Insurance for 1886.

MUTUAL RESERVE.

"Cost of leveying and collecting $1,547,258.42 of assetsments for the year 1886, *bank and collector's charges aud discount allowed* $54,707.14" less than 4 per cent.

CANADA LIFE.

"Total outstanding and deferred premiums $443,441.95 *deduct cost of collection at* 10 *per cent.* $44,334 19." The cost of collection is set down at 10 per cent. in the annual statement of every company reporting to the Superintendent of Insurance. And if any one doubts it he has only to turn up any of the Reports in order to see for himself.

In addition to the expenses already stated there is what are usually called "office expenses," which include salaries of officials, President, Manager, Secretary, Clerks, printing, advertising, etc., etc., and in stock companies, dividends to stock holders.

In old line companies these expenses are regulated to suit the circumstances and wants of the officials ; there being no limit to what may be expended in this way. Old line companies usually

add 40 per cent. for expenses to the amount required for the payment of death losses, as indicated by the mortality tables, the direct effect of which is to compel old and middle-aged members to bear a disproportionate share of the burden. An examination of table No. VI, page 26, showing the elements of which a level premium for $1,000 is composed, will enable the reader to understand the matter fully. According to this table a member aged 60 has to pay nearly four times as much as one aged 25. I commend this table as worthy of *special attention*. The columns under the heading of "*Reserve Element*" and "Expense Element" are *particularly interesting* when studied and *compared* with the *same columns* under the *same heading* in *table No. V*. The "*mortality* element is the same in both tables, being based on the same mortality tables. No. 5, however, is based on the mortality tables only; No. VI is based on the same tables and 4½ interest. This accounts for the apparent difference. The injustice of compelling old and middle aged members to pay so much to expenses is still more *forcibly illustrated* in table No. III, page 22, where, as will be seen, a person insuring at age 55 for $20,000.00 has to pay $343,20 more to the agent who writes his application than his neighbour who happens to be 15 years younger. This glaring injustice is corrected in the Mutual Reserve by an equal loading of $3.00 for each $1,000 insured, and an admission fee to cover initial expenses, which is the same at all ages. It costs no more money, time or trouble to keep the accounts of a member aged 55 than one aged 25.

TABLE No. V.

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Table showing the elements of which the Premium for $1.000 Insurance is composed after 1st year, based on the American Tables of Mortality, worked by the Mutual Reserve Fund Life Association of New York.

Age.	Maximum Reserve Element.	Maximum Mortality Element.	Maximum Expense Element	Maximum amount which can be collected annually.
25	$ 2 69	$ 8 07	$3 00	$13 76
26	2 71	8 13	3 00	13 84
27	2 73	8 20	3 00	13 93
28	2 76	8 27	3 00	14 03
29	2 78	8 35	3 00	14 13
30	2 81	8 43	3 00	14 24
31	2 84	8 51	3 00	14 35
32	2 87	8 61	3 00	14 48
33	2 91	8 72	3 00	14 63
34	2 94	8 83	3 00	14 77
35	2 98	8 95	3 00	14 93
36	3 03	9 09	3 00	15 12
37	3 08	9 24	3 00	15 32
38	3 14	9 41	3 00	15 55
39	3 20	9 59	3 00	15 79
40	3 27	9 80	3 00	16 07
41	3 33	10 00	3 00	16 33
42	3 42	10 25	3 00	16 67
43	3 51	10 52	3 00	17 03
44	3 61	10 83	3 00	17 44
45	3 72	11 17	3 00	17 84
46	3 86	11 57	3 00	18 43
47	4 00	12 00	3 00	19 00
48	4 17	12 51	3 00	19 68
49	4 37	13 11	3 00	20 48
50	4 59	13 78	3 00	21 37
51	5 11	15 34	3 00	23 45
52	5 67	17 03	3 00	25 70
53	6 23	18 72	3 00	27 95
54	6 80	20 40	3 00	30 20
55	7 36	22 09	3 00	32 45
56	7 92	23 78	3 00	34 70
57	8 48	25 47	3 00	36 95
58	9 05	26 15	3 00	39 20
59	9 61	28 84	3 00	41 45
60	10 15	30 53	3 00	43 70
G'd aver'ge per $1.000	$ 4 49	$13 45	$3 00	$20 94

Members desiring to make payments annually in advance can do so at the above rates (to the Home Office,) and the amount not required during the year will be applied to reduce the next annual payment.

TABLE No. VI.

—:o:—

Table showing the elements of which a level premium for $1.000 insurance is composed, based on the American Tables of Mortality, and 4½ per cent. interest, and worked by American Companies. Manufacturers' Life Insurance Co., "Agents Book of Estimates," page 43.

Age.	Reserve Element.	Mortality Element.	Expense Element.	Gross Level Premium.
25	$ 6 50	$ 7 71	$ 5 68	$19 89
26	6 81	7 76	5 83	20 40
27	7 13	7 82	5 98	30 93
28	7 47	7 88	6 13	21 48
29	7 81	7 96	6 30	22 07
30	8 18	8 03	6 49	22 70
31	8 57	8 11	6 67	23 35
32	8 98	8 20	6 87	24 05
33	9 40	8 30	7 08	24 78
34	9 86	8 40	7 30	25 56
35	10 33	8 51	7 54	26 38
36	10 82	8 64	7 79	27 25
37	11 30	8 77	8 05	28 17
38	11 89	8 93	8 33	29 15
39	12 47	9 10	8 62	30 19
40	13 06	9 20	8 95	31 30
41	13 70	9 43	9 08	32 47
42	14 37	9 71	9 64	33 72
43	15 00	9 95	10 02	35 05
44	15 80	10 24	10 42	36 46
45	16 57	10 55	10 85	37 97
46	17 35	10 92	11 31	39 58
47	18 18	11 32	11 80	41 30
48	19 02	11 79	12 32	43 13
49	19 89	12 43	12 88	45 09
50	20 73	12 97	13 48	47 18
51	21 62	13 67	14 11	49 40
52	22 53	14 45	14 80	51 78
53	23 46	15 33	15 52	54 31
54	24 43	16 30	16 29	57 02
55	25 41	17 38	17 22	59 91
56	26 40	18 60	18 00	63 00
57	27 42	19 93	18 94	66 29
58	28 57	21 40	19 95	69 82
59	29 52	23 10	21 03	73 60
60	30 60	24 85	22 18	77 66
G'd aver'ge per $1.000	$16 14	$12 10	$11 20	$39 44

Any one who wishes can see this same table on pages 202-203 "Tabor's Three Systems of Life Insurance." In Tabor's work the Actuaries' Table is used and the interest is calculated at 4 per cent. instead of 4½, and the ages are given up to 99. At this age the *expense element* of a level premium is $320.51 per $1,000 insurance annually.

I feel sure, that anyone who will examine the facts which I have stated, will easily understand how it is possible for the Mutual Reserve to furnish life insurance at less than one-half the rates of ordinary life companies. The practical application of those principles which experience has shown to be essential, and the rejection of features which has endangered the safety, and retarded the progress of life insurance, combined with strict economy in every department, care in the protection and honesty in the administration of the trust funds of the Association contain the answer in a nutshell.

CHAPTER VI.

2nd Question.—"Where does the money come from?" In the "Independent" (?), 3rd March, 1887, there appeared the following:

"As an evidence of the wise management and admirable investment of its funds, the following list of payment of death claims in 1886 has been published, showing what the cost of insurance is in this company. It will be seen that for every dollar paid, by the insured to the Mutual Life, the Company returns $2.68 to the policy holder."

During the same year the Mutual Reserve returned at least $23.00 for every dollar paid by the insured. If the reasoning adopted by the "Independent" (?) is correct and honest, it follows that the wisdom displayed in the management and investment of the funds of the Mutual Reserve must be at least nine teen times greater than that of the Mutual Life. It is fair to presume, that if the Mutual Life returned $2.68 in the 44th year, "for every dollar paid by the insured," it must have returned at least an equal amount each previous year; e. g. suppose a young man insured at age of 25 for $10,000 when the company started, and that he died within a year thereafter, his heirs would get more than $50.00 for every dollar he paid the company. The average duration of the policies of all who died within the first seven years could not be more than three and a half years, therefore the company must have returned at least $10.72 for every dollar paid by the insured; the heirs of all who died within the first fourteen years must have received at least an average of $5.36 for every

dollar paid by the insured, and so on up to 1886. All insurance companies publish similar statements each year. The New York Life professes to have returned \$2.80 in 1886 for every dollar paid by the insured. Well may the "Independent" (?) remark that these companies have "*attracted the attention of the public*" for it must not be forgotten that they are *Mutual Companies that they have not now, and never had*, a dollar of *capital stock;* that they commenced on *the co-operative plan*, i. e. they were entirely dependent on the voluntary contributions of their members, for the payment of death losses, and every other item of expenditure; and that, as they expended four times more in management, they were dependent on their members for a sum four times greater than that required by the Mutual Reserve; that neither of these companies have realized five and a half per cent. compound interest on their gross assets; that they have sunk millions of dollars in buildings; that they have expended in management nearly \$3,000,000.00 each year, or a total of over \$75,000,000.00 within the last twenty five years; that they have returned from \$2.80 to \$50 for every dollar paid "by the insured;" that notwithstanding all these seeming impossibilities their *surplus funds* have increased at the rate of \$11,500.00 per day or over \$4,000,000.00 each year since they commenced business.

Where does the money come from? If such statements are true how can they be accounted for? They are literally true and can easily be explained so that any one can understand the secret. I shall lift the veil and dispel the mystery. Life Insurance Companies on any plan, are corporations composed of members not individually, but collectively considered; an unlimited number of members mutually bound together by the strongest of all cords, the protection of their families; the many who are spared contributing to make up a stipulated amount to the representatives of the few, who are taken away each year. The great majority insure their lives and keep up the policy *so long only as they require it for the protection of their families;* this is doubtless one of the reasons why lapses are more numerous among policy holders who are up in years, than they are among those in middle life.

The death losses of an insurance company cannot be estimated in the same way as can the deaths which will take place each year

in a given number of individuals. That all must die is a moral certainty, but that only a very small percentage of those who insure will remain insured until death, is all but equally true. There is scarcely a policy holder to-day who has not lapsed one or more policies. This is known and admitted by the best authorities, and used as an argument to induce men to take out certain kinds of policies. In support of these statements I submit the following tables:—

No. VII is taken from "Agents' Book of Estimates," page 44, now in use by the Manufacturers' Life Insurance Company. This table was revised by Professors Tabor, of Chicago, and Standen, of New York, actuaries. No. VIII will be found on page 142, "Life Agents Instruction Book," by N. Willey, actuary, and is given to illustrate the tontine dividend system.

TABLE No. VII.

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"Showing the natural process of disposing of 1000 persons, each 40 years old at entry, representing $1,000,000 insurance by applying the mortality and lapse experience."

Y'rs Insurance.	No. of Members beginning of year.	No. of Lapses.	No. of Deaths.	Amount of Loss Each Year.	Y'rs Insurance.	No. of Members beginning of year.	No. of Lapses.	No. of Deaths.	Amount of Loss Each Year.
1	1000 00	174 00	8 54	$ 8 540	30	213 44	2 13	11 25	$ 11 250
2	817 45	78 49	7 50	7 500	31	200 05	2 00	11 54	11 540
3	731 47	57 05	7 02	7 020	32	186 50	1 86	11 69	11 690
4	667 38	45 38	6 67	6 670	33	172 95	1 73	11 70	11 700
5	615 33	35 07	6 43	6 430	34	159 52	1 59	11 74	11 740
6	573 82	26 39	6 27	6 270	35	146 18	1 46	11 78	11 780
7	541 15	26 51	6 17	6 170	36	132 93	1 32	11 63	11 630
8	508 46	18 30	6 10	6 100	37	119 97	1 19	11 46	11 460
9	484 05	12 10	6 12	6 120	38	107 31	1 07	11 10	11 100
10	465 83	13 50	6 17	6 170	39	95 13	0 95	10 70	10 700
11	449 14	11 15	6 24	6 240	40	83 48	0 83	10 21	10 210
12	428 74	6 76	6 38	6 380	41	24 43	0 74	9 72	9 920
13	415 60	6 65	6 51	6 510	42	63 76	0 63	9 26	9 260
14	402 44	8 04	6 65	6 650	43	53 86	0 53	8 52	8 520
15	387 74	3 48	6 86	6 860	44	43 80	0 43	7 49	7 490
16	377 38	3 77	7 10	7 100	45	35 96	0 35	6 70	6 700
17	366 50	3 66	7 36	7 360	46	28 80	0 28	5 84	5 840
18	355 47	1 06	7 65	7 650	47	22 66	0 22	4 98	4 980
19	346 75	6 11	7 95	7 950	48	17 45	0 17	4 16	4 160
20	335 69	3 35	8 25	8 250	49	13 11	0 13	3 39	3 390
21	324 08	2 91	8 55	8 550	50	9 59	0 09	2 78	2 780
22	312 60	1 56	8 98	8 890	51	6 71	0 06	2 21	2 210
23	302 14	1 81	9 24	9 240	52	4 43	0 04	1 59	1 590
24	291 08	2 91	9 58	9 580	53	2 79	0 03	1 00	1 080
25	278 59	2 78	9 89	9 890	54	1 67	0 02	0 72	7 20
26	265 90	2 65	10 21	10 210	55	0 94	0 01	0 94	9 40
27	253 03	2 53	10 52	10 520					
28	239 98	2 40	10 81	10 810	Total	......	5 77	423 00	$423 000
29	226 76	2 26	11 05	11 050					

TABLE No. VIII.

Age.	No. of Policies in force.	Lapses.	Death Losses.	Age.	No. of Policies in force.	Lapses.	Death Losses.
25	1000	75	8	37	436	22	4
26	917	69	8	38	410	20	4
27	840	59	7	39	386	19	4
28	774	50	6	40	363	18	4
29	718	43	6	41	341	17	3
30	669	38	6	42	321	16	3
31	625	31	5	43	302	15	3
32	589	29	5	44	284	14	3
33	555	28	5	45	267	13	3
34	522	26	5	46	251		
35	491	24	4				
36	463	23	4			649	100

Neither of these tables take into account the surrender policies which make up nearly one third of all policies terminated. These tables were never intended for the public. An inspection of them will explain the cause of the wealth and prosperity of insurance companies, on other grounds than those given by the "Independent" (?) In Table No. VII, for example, it is admitted that the rates are high enough to enable the "Manufacturers" and all other line companies, to pay $1,000,000.00 of insurance, but that they never expect to be called upon to pay more than $423,000. And if the surrendered policies were deducted from the $423,000, the amount to be paid would be reduced by at least $150,000. Table No. VII reveals the fact, that 649 policy holders will lapse and only 100 will die out of 1,000, in twenty-one years, and that the lapses are even greater than indicated by these tables is evident from the following extracts from the writings of several well known old line actuaries. Nathan Willey, says on page 9, "Life Agents' Instruction Book" that "The loss of insurance during the past few years, equal to 70 and [illegible] per cent. of the new business in lapses surrenders and not [illegible] policies suggest the importance of reform." That is for [illegible] hundred new policies issued each year, eighty policy holders refuse to continue their insurance any longer, preferring to lose what they have paid rather than to continue to pay such exorbitant rates. Some years the lapses and surrenders were over 100

per cent. of the business as may be seen from the following, taken from the reports of the Insurance Commissioner of the State of New York.

The Mutual Life had 13 *millions less insurance in force in* 1871 than it had in 1870; *it had* 14 *millions less insurance in force in* 1878 than it had in 1875.

The New York Life had nearly *three millions less insurance in force in* 1878 than it had in 1877, and *less insurance in force in* 1879 than it had in 1876.

The Equitable had *twenty seven millions less insurance in force in* 1878 than it had in 1873, *and more than eighteen millions less in* 1877 than it had in 1875.

The North Western of Milwaukee, had nearly *five millions less insurance in force in* 1878 than it had in 1871, and nearly *six millions less in* 1879 than it had in 1876.

As these are four of the largest and most wealthy insurance companies, it is fair to presume that if the lapses were great in them they would not be less in smaller companies. If the business of the Mutual Reserve fell off like what it did in the above companies, it would be heralded in all the old line journals as a sure indication that the end was not far distant. But a decrease of twenty-seven millions of business in lapsed and surrended policies in an Old Line Co. in less than five years, seems to be looked upon as an event which was of common occurrence, and therefore unworthy of notice on the part of Old Line Insurance Journals, such as "*The Monetary Times,*" of Toronto, and "*Insurance Chronicle,*" of Montreal.

On page 69 "Principles and Practice of Life Insurance" by Nathan Willey, he says that,—"The combined statistics returned by fifteen life offices in England shows that the average life time of a policy in those companies up to the year 1843 was less than five and one half years.

In the Gotha Life of Germany, it was a little over eight years: and in the Equitable Life, of London, twelve and a half years.

"In the seventeen life offices, the average duration of life, after insuring, of the policy holders who died was 6413 years. In the Massachusetts report for 1861 we find that on 2,180 policies which had been forfeited in companies doing business in that state, 7,646 premiums had been paid, making the average duration of each lapsed policy 3.51 years."

On page 69 "Three Systems of Life Insurance" by M. Tabor, he states that, "the lapse alone of fifteen companies, from 1872 to 1881 inclusive, were from 15 to 87 per cent. of their entire new business written during that time, the average being over 43 per cent. "The new business in round numbers was 1,730 millions of dollars. The amount of lapsed insurance, therefore, was 744 millions of dollars. We have compared the lapses with the new business, but it must not be inferred from this, that the lapses were from the new business. A very small percentage of them were from the new business. If the policies averaged $2.000 each, 372,000 policies lapsed during the decade named in only fifteen companies." The careful examination of official statements shows that the amount of insurance issued by all the Old Line Companies:—

In New York from 1863 to 1883, was...	$6,696,494,686
Amount of losses paid..................	408,610.120
Whole amount of Insurance lapsed and surrendered........................	4,834,198,320
Amount of insurances terminated........	5,242,808,440
Amount of insurances in force..........	1,453,686,246

In other words that nearly seven thousand millions of insurance were issued; that eighty-five per cent. terminated; that only six per cent. was paid; that seventy-nine per cent. lapsed, and fifteen per cent. only remained in force.

From 1870 to 1880 the active old line New York Companies had 3061 death losses, and 29,431 lapsed policies, i. e. 11¼ per cent. by defection and 1⅙ per cent. by death.

During the same period the Tontine Companies had 5,516 lapses and only 506 deaths, i. e. 11 78-100 per cent. by lapse and 1 5-100 by death. And during the last five years the lapses have averaged 47 per cent. of the entire new business done.

The ratio of lapses to new business in a number of the Canadian Companies has been even greater than that of the New York Companies. During the last five years there was 9,791 lapses and surrenders and only 572 deaths or 18 lapses and surrenders to each death in six companies.

The rates of ordinary Life Companies are based on the assumption that every one who insures will continue his policy until it becomes a claim, when in reality not more than one in ten do so.

The Hon. Elizeer Wright, one of the most celebrated actuaries of the nineteenth century, says, that, "In the best of old line companies the lapsed and surrendered policies outnumber those remaining in force, and are about ten times the number of those matured by death or endowment." A review of the history of lapses, as given in these pages, covering a period of more than fifty years, collected from official statements, and the writings of old line actuaries, demonstrates the fact that the certainty of death is not more real than the certainty of termination for other causes.

This, and not "wise management and admirable investment," accounts for the vast sums of money, life insurance companies spend and accumulate as if by magic. In formulating the system of the Mutual Reserve this factor was taken into consideration, and utilized so as to be a benefit rather than an injury to those members, whose circumstances compel them to continue their insurance. See Reserve Fund, how accumulated, page

The guarantee that a member has, that his claim will be paid by the Mutual Reserve is unequalled by any other company, on any plan in the world. 1st, He has the pledge of every member of the Association, any violation of which will immediately cancel his insurance and interest in the Reserve Fund. 2nd, Should every member refuse to pay, then there is over $1,500,000.00 in the Reserve Fund that can be used for that purpose. 3rd, Should every member lapse except say ten, those ten would hold a deed and would really own the whole of the Reserve Fund and all that they would then have to pay for their insurancc would be one call not in excess of the Mortality Tables as each one of the ten died; and when all died except the last, he would have his insurance for nothing, because there would be no death losses to pay, and his claim would be paid out of the Reserve Fund.

The substance of what I have stated may be briefly summed up as follows:

1st. That the experience of life insurance companies, covering a period of at least 45 years, proves that the cost of insurance, exclusive of expenses, does not exceed $12.00 per $1,000 at all ages.

2nd. That the extravagant expenditure of money in the payment of salaries, commissions, bonus, waves, dividends to stockholders, and in the erection and equipment of costly buildings, is

prima facie evidence that the premiums of ordinary life insurance companies are too high.

3rd. That the rates of the Mutual Reserve though 50 per cent, below those of ordinary life companies, provides for, at least $5,00 per $1,000 exclusive of expenses, more than either the Mutual Life or New York Life required during the 45 years of their existence. The Association is, therefore, on a safe basis.

4th. That the Reserve Fund of the Mutual Reserve enables the Association to guarantee that the cost per annum shall not exceed the Mortality Tables, and that every just claim shall be paid.

5th. That, the Reserve Fund, being invested and the securities held by a separate corporation as Trustees for the benefit of policy holders are safeguards which are not found in any other company, and is a guarantee that the trust funds of the Association shall not be misappropriated by the officials.

6th. That, the fact that the Mutual Reserve has now more business in force in its 8th year than the New York Life had in its 40th year, is an evidence of the superiority of its system over all others.

7th. That, the expenses of the Mutual Reserve are less than one-sixth of the average expenses of ordinary life companies.

8th. That, the death losses of the Mutual Reserve are lower than that of any other company.

9th. That, there are from ten to twenty policies terminated, in ordinary life companies for other causes, for everyone that is terminated by death.

10th. That, there are fewer policies terminated for other causes than that of death in the Mutual Reserve than there are in any other company on any plan with the same amount of business in force.

The representatives of old line companies make considerable capital out of the cash surrender or paid-up insurance feature of their system.

The insurant is informed that if at any time he is unable to make his payments or wishes to discontinue his insurance he will not lose anything, as in that case the company will give him a paid up policy or cash surrender for all he has paid. Let us examine this statement.

No insurance company, on any plan, can return that portion of the premium which has been used in the payment of death losses and expenses ; the reserve or banking part of the premium is all that is available for this purpose. And if the reader will turn back to page 26 and examine the elements of which a level premium is composed he will see that the reserve is less than one-third of the amount paid. But, as will be seen from the following extracts, no company returns the full amount of the reserve even. In "Life Agents Instruction Book," page 121, by N. Willey, Actuary, he states that "The surrender charge of 25 per cent. *on the reserve is as low as the most liberal* companies adopt, many companies charging *fifty per cent.*

In "Three Systems," page 70, by M. Tabor, Actuary, there appears the following interesting chapter on surrender values and paid up policies : "A policy holder in a certain company asked for the *cash surrender* value of his policy. *His reserve and surplus amounted to* $115.99. The company offered him $26.38!

"Another gentleman who was insured in another company, asked for the *cash surrender value* of his policy, and was *offered* $1,876.52. *His reserve and surplus amounted to* $5,400.00.

The amount paid by 29 companies doing business in the State of New York, for the year ending Dec. 31, 1884, for lapses and surrendered policies, was $9,503,530. Assuming that *they paid an average* of *one-quarter of the reserves*, the whole reserves amounted to $38,014,120! If these policies surrendered were all ordinary life policies, issued at an average age of 35, and had been in force an average of four years, *their cash surrender value, according to the Massachusetts Standard, was* $23,948,896,—sixty-three per cent. of the reserves. The differenco between what they paid *and what they might have* paid—according to Massachusetts law—*without impairing their vitality, was* $14,445,366. The last amount, therefore, was the net profits in cash surrenders values, for one year, of only 29 of the 50 regular life companies doing business in America!

"The amount of cash paid for surrender policies from 1875 to 1884, inclusive—10 years—by the companies reporting to the Massachusetts Insurance Department, was $92,099,599. Assuming that an average of one third of the reserves was $276,298,797. Assuming further that the policies were all ordinary life

policies, and issued at an average age of 35, and had been in force an average of four years, their cash surrender value by the Massachusetts Standard *was* $174,068,242! These companies could have paid this last amount without impairing their vitality. Subtract what was paid [$92,099,599], from what might have safely been paid [$174,068,242], *and we have* $81,968,613 as the *net profit in one decade, in cash surrender values*, by considerably less than the whole number of life companies doing business in this country at that time. "Had these policies been on the ten year life plan, instead of on the ordinary life, as assumed, *the net profit would have been more than* 162 *millions of dollars!!*"

In the Mutual Reseve the whole of the Reserve Fund and its accumulations to the credit of members whose policies have been in force for fifteen years, shall be used in granting extended insurance or paid as a cash surrender value.

CHAPTER VII.

Having proved that the Mutual Reserve is furnishing life insurance for less than one-half the cost, that the security is in many respects superior, and that the system is more scientific and equitable than that of old line companies, I shall now expose a few of the deceptions and misrepresentations that are constantly made use of in order to mislead and impose upon the public.

DECEPTIONS.—One of the most common forms of deception practised is to publish through the columns of "*Insurance*" Journals, "*Finance*" *Chronicles*," etc., cooked statements intended to prove that the cost of insurance increases indefinitely as the company advances in years. A sample of the false reasoning resorted to will be found in the "Monetary Times" for 25th June and 2nd July, 1886. In order to prove that the premiums collected by old line companies are not too high the following remarkable statements are made: "In England a great many carefully conducted companies are now paying out each and every year very much larger sums than they are receiving from premiums. In a number of cases the reserves are being annually drawn upon to meet the yearly deficit, and yet these companies are pushing on successfully in insuring new lives. We need not, however, go so far away as the old country to find proof that the ordinary premiums are none too high to provide for current death claims when

new members cease to come in rapidly and old ones have grown older. Several life insurance companies, formerly doing a considerable business in Canada, have ceased at one time or another since 1878 to solicit new risks, and the consequence is that though their membership and insurance carried are decreasing, their death losses are growing heavier and heavier as the years go by. Take the first year of the last decade, 1876, and we find that eleven companies received in that year premiums amounting to $388 456, and their death losses were then only $209,910, showing a gain to the funds of $178,546. But coming down to the last year of the decade, namely 1885, we find the figures nearly reversed. The premium receipts were over a third less, and the losses nearly a half greater, as follows:—

Premium received by 11 companies..........	$201,588
Losses incurred in 1885.....................	296,531
Showing a loss in the year of...............	94,943

"Dividing the decade into first five years we find the following to be the receipts and claims of the following companies during each period, as found in the Blue Books issued from Ottawa:—

FIRST FIVE YEARS.

Name of Company.	*Premiums.*	*Losses.*
Briton Medical....................	$ 188,030	$ 121,357
Edinburgh Life....................	108,905	48,015
Life Association, Scotland.......	558 830	313,382
Mutual, of Hamilton.............	194,460	49,661
North British......................	139,208	110,687
Queen, of Liverpool.............	54,570	31,562
Reliance Mutual..................	128,965	42,683
Scot. Amicable...................	100,162	73,965
Scot. Provident..................	25,665	6,813
Scot. Provincial..................	152,402	129,183
	$1,643,197	$ 927,310

SECOND FIVE YEARS.

Name of Company.	*Premiums.*	*Losses.*
Briton Medical	$ 133,613	$ 207,727
Edinburgh Life	83,491	73,275
Life Association, Scotland	388,588	380,588
Mutual, of Hamilton	180,615	98,037
North British	120,489	115,549
Queen, of Liverpool	49,754	52,346
Reliance Mutual	77,944	60,963
Scot. Amicable	60,862	136,444
Scot. Provident	19,436	13,239
Scot. Provincial	127,192	187.964
	$1,241,954	$1,328,136

"Glancing up and down these figures it will be seen that in every instance the death calls of the second five years were very much heavier than during the first five years. In several cases they are nearly double, notwithstanding that in all cases the income, and, therefore, the amount of insurance in force, has decreased. Looking at the footings we find the following result:

Periods.	*Premiums.*	*Losses.*
First five years	$1.643,197	$ 927,310
Second five years	1,241,954	1,328,136

"With $401,243 less premiums, death increased $400,836."

In the issue for 2nd July, 1886, the discussion of the subject is continued and the experience of the companies above mentioned, from 1875 to 1885, inclusive, is again quoted to prove that old line rates are not too high: "If we add 15 per cent. to death claims, for expenses, we find that an annual premium, or an assessment call of $11.70 per $1,000 would answer at the beginning of the period, while for 1885 $48 per $1,000 would be called for. In a society of 1,000 members always kept full, each paying twelve assessments of $1 each year, with no expenses to meet and having no deaths until the full $2,000,000 is made up, each individual must live more than 166 years after joining before $2,000 could be paid each member, if no money is put out at interest. Assuming 24 assessments annually each man aged 30 at joining would be 113 years old before all could be provided for. A man aged 40 has 27 years of life ahead, on the average.

Hence it would take $74 per annum to provide $2,000 at his death if there were no more income from interest than would meet expenses. But if only $20 were paid each year for half the time—about the amount some people think sufficient—then $128.15 would have to be paid during the last half of the 27 years or the money would not be made up. And yet though anyone can see that the above statements are true as that two and two make four, thousands of otherwise intelligent people are now paying *exorbitant admission fees* to get into assessment enterprises whose agents assure them that the cost hitherto has been only *one-quarter* or *one-third what regular companies have been charging.*

Let us analyze these "statements," and in doing so we may find that they are not quite as true "as that two and two make four."

What are the reserves, about which we hear so much from old line agents? It is a scheme devised by insurance companies, which requires the insured to insure himself by depositing with the company each year, a sum, in addition *to his full share of the death losses and expenses*, which, together with the interest at four or four and a half per cent. shall equal the face value of his policy when he reaches the age of 96. And when he dies his claim is paid out of the mortality element of the premiums of other policy holders, and the company pockets the reserve, or at least the greater portion of it. The mortality and expense elements of a level premium in an old line company are sufficiently high to meet the necessary expenditure independent of the reserve element. See Table No. VI, page 26. Every dollar of the reserve, as the reader may easily see, is extorted from the insured as a deposit, which has no connection with insurance, and which is of no use to the policy holder, or to the company until the policy becomes a claim. The impression that old line representatives try to make is that the reserve can be used, and is created for the purpose of guaranteeing the payment of claims—that it is wealth. It is not wealth, but an ever increasing debt which the company owes to its policy holders. It is not a source of strength, but of *weakness.* It is not an element of safety but of *danger.* It places *vast sums* of money in the hands of the officials and thus subjects them to a most *insiduous* and *powerful form of tempuation to wrong doing in the misappropriation of trust* funds, which has proved *too strong*

for thousands of men who have been considered *proof against any and every form of temptation.* And to this may be traced the failure of nine-tenths of all the old line companies, through which thousands of policy holders have lost both their insurance and reserve or bank deposits. Millions that have been deposited with insurance companies have been literally stolen from the widow and the orphan and appropriated by old line insurance companies and their officials.

In an insurance company operated on the plan of the Mutual Reserve this danger does not exist, as the system avoids the accumulation of vast sums, the money being left with the members until it is required, and when paid in it is immediately paid out again. Only a small percentage of the premium is set aside as a reserve, or emergency fund, the most stringent regulations being made for its investment and protection. See Report of Investment Committee, page 96. Several old line companies have such vast sums of money now on hand that the officials are unable to invest it. This accounts for the millions that have been and are now being sunk in expensive buildings, such as the New York Life is now erecting in Montreal and in many other cities. The interest on the money paid for the *sites alone* on which the New York Life and Canada Life are erected, would be more than enough to pay the rent of offices sufficiently large and numerous in which to transact all the insurance that is, or will be, done in Canada for the next century.

In order that the reader may see that I have correctly stated the purpose which the reserves of ordinary life companies serve, I shall submit the following evidence from well-known old line actuaries. "This larger premium is required to provide for a fund or reserve, which with the annual interest therefrom will *meet the ultimate payment of the risk when the insured reaches the age of* 96, or if he dies before, it will be added to the contribution of other policy holders to pay his own claim."—N. Willey, "Life Agents Instruction Book," page 23,

"A level premium company not having in hand the reserve is not solvent. The reserve can be used for no purpose whatever, while the original policy is in force, except for accumulation."—M. Tabor, "Three Systems," page 61.

"The fact is the reserve is simply and purely a bank deposit, belonging for life or death to the depositor, and having no more real connection with the insurance risk than a corresponding deposit in a bank across the street would have." Emory McClintock, Actuary, Northwestern Mutual." (An old Line Company, J. T. P.)

"No part of the Reserve can be used to pay a death claim on any policy save the one to which it belongs, any more than a bank of deposit can use the funds of one depositor, to make good its losses to any other." E. D. Williams, Consulting Actuary.

If the statements of the "Monetary Times" that "Many carefully conducted companies are now paying out each and every year very much larger sums than they are receiving" and that "the reserves are being annually drawn upon to make up the deficit, and yet those companies are pushing on successfully in insuring new lives, are as true as that two and two make four," the officials are misappropriating the deposits entrusted to them by their policy holders and are guilty of fraud; the companies doing so are insolvent, and if they are, "pushing on successfully in insuring new lives" they are swindling the public. If the outlay exceeds the income year by year, the ultimate result is inevitable. The company must fail, and *then where will the funds come from to pay the last man?"* This is a sample of the kind of arguments that are used to frighten people from insuring in the Mutual Reserve. There is not even the semblance of an argument against the Assessment Life Insurance system that does not apply equally to the old line, or high rate insurance plan. If a man aged forty has only twenty-seven years of life ahead on the average, and it takes $74.00 per annum, exclusive of expenses, "to provide $2.000 how will an Old Line Co. make it up out of a premium of $62.60, $17.90 of which are expended in expenses. It is needless to try to account for it by counting on the interest. For there can be no interest from that part of the premium which is expended in the payment of the death losses and expenses; the reserve is the only portion of the premium from which any interest will be received, and this at age of 40 is only $26.52, which, invested at 4 per cent. compound interest for 27 years would amount to $1,405.53; deficit, $594.47. But as will be seen from the following extracts from Nathan Willey and from "*The Monetary*

Times itself, the average duration of a life policy is less than nine years.

"In the seventeen life offices the average duration of life after insuring of the policy holders who died was 6.413 years," Principles and practice of Life Insurance" page 69.

"The average duration of the policies in the leading offices in England, upon whose experience the tables (hm) named in our Insurance Act was founded, was 9-12 years.

"Monetary Times, Dec. 18th 1885."

In view of such "Statements," that "are as true as that two and two make four," how could the companies pay each policy holder's claim ? Instead of paying $74.00 for 27 years, they only paid $62.60 for 9 years. That is, they each paid $563.40 and the companies paid their representatives $2,000.00. There is no mystery about this. Nothing but what any schoolboy might easily understand. It is the contributions of the many who are spared, that meet the claims, of the few who are taken away each year. See history of lapses and surrender values.

Here in the language of the "*Insurance Chronicle*" are a few of the "Monstrosities" which Old Line agents "are adepts at placing on paper:— "MANUFACTURERS LIFE" age 35, "Tontine period 20 years, $10,000.00 policy, annual premium $312.00· Total premiums paid during tontine period $6,240.00. Paid up policy for $21,850.00," i. e. $3.50 for every one dollar paid. I have estimates from the *North American*, *New York Life*, and *Equitable Life*, that are *equally astonishing* in view of the fact that the statement is made, by the first three named companies that if the policy holder dies within the period, his heirs get the $10,000 and all the premiums he paid returned. For example, suppose a policy becomes a claim ten years after it is issued, the company would pay $13,120.00, or $6,880 more than it received from the insured. Surely the "*Chronicle*" is right in calling such *estimates* "*Monstrosities*," if it takes "$74.00 per annum" for 27 years, "to provide $2,000," *as stated by the* "*Monetary Times*." Six out of the ten companies cited ceased to do new business, in Canada, ten years ago two of them are *insolveut and have been so for years* and the others are *not really life insurance companies* in the true sense of the term. They are fire insurance companies that issue a life policy if any one desires them to do so. Several of these companies have been in business for 50 years, and yet

according to the "*Monetary Times*" in 1875, when they were doing even an average new business, "$11.70 PER $1,000 WAS SUFFICIENT TO PAY BOTH DEATH LOSSES AND EXPENSES, WHICH *furnishes an additional proof that the cost of life insurance* IS LESS THAN $12.00 PER $1,000 AT ALL AGES. If the cost of insurance is to be determined by the experience of companies that have ceased to do new business, and in which there are hundreds of thousands of paid up insurance, it could be made to appear that it costs $1,000 per annum per $1,000 insured; for, suppose all the policy holders in these companies are dead but one, and that he has a paid up policy for "$20,000.00, the company will have to pay out $20,000.00, more than it receives the year that his policy becomes a claim.

There is not an official statement on record, from which it can be proved, that the death losses of any well managed life insurance company, have exceeded the average indicated by the Mortality Tables, while it was "pushing on successfully in insuring new lives." In proof of this I quote from the "*Monetary Times*," December 18th. 1885. *The actual losses of the leading offices on this continent have been from one-fifth to one-sixth less than those provided for by the mortality table named*." Also from the report of the Hon. John K. Tarbox, Insurance Commissioner of the State of Massachusetts for 1884:—

"*These Mortality Tables are the results of carefully verified statistics of the actual death experience of Life Companies in Europe and in this country. Confidence in their safety as a basis of anticipation is strengthened by the seemingly well-established fact that the longevity of the human race grows with the advance in knowledge of the laws of health, the better observance of sanitary conditions and the generally improved circumstances of the people, incident to highly civilized life. That the average duration of life in the future of well ordered American communities will, at least, equal the past average, as found by the tables, is a reasonable expectation. Further confirmatory evidence is afforded by later experience. Of the companies doing business in Massachusetts, with records of from twenty to forty-two years' experience, not one has experienced a death rate of within ten per cent. of the expectation. Of the older and larger companies, which furnish perhaps the more satisfactory test,* THE ACTUAL MORTALITY, BY THE LATEST COM-

PUTATION, has been in the Mutual, 80; *in the Mutual Benefit*, 85; *in the New York Life*, 88; *in the Ætna*, 89; *in the Pennsylvania Mutual*, 81; *in the Connecticut Mutual, and the Equitable*, 78; *in the Northwestern*, 77; *and in the New England*, 74 *per cent. AS COMPARED WITH THE TABLE. Whenever a Company has suffered a death loss in excess of the expectation, the cause is referred to imprudent selection. The evidence of the safety of the mortality assumption is proof beyond reasonable doubt.*" To show the public that the form of deception adopted by the "Monetary Times," as to the cost of insurance, is constantly practised by old line journals and agents, I quote the following from the "Insurance and Finance Chronicle," Montreal.

PORT HOPE, January 20th, 1888.

TO THE EDITOR OF *The Chronicle*.

DEAR SIR,—

When dealing with the assessment humbugs, I state that the average age at which a man insures is 31 and that the average all life policy runs for 32 years. "By dividing $1,000 by 32 we get $31.25, years, hence for the average all life man $31.25 must be raised each year besides expensés, and if there is no interest that sum must be got hold of somehow by the Association or the things is nil. "Are my figures correct?

Yours respectfully,

J. L. M."

"Our correspondents figures are just about correct. "Every dollar which is paid out in death claims by a co-operative must be collected in assess ments from members. "Taking 31 as about the usual age at entrance and 32 as the expectancy of life, the average amount to be paid in yearly is $31.25 plus the expenses of management."

"EDITOR."

Insurance Chronicle" Feb. 1888.

A few lines will suffice to expose the hollowness of the above statement. "The rates of old line high rate companies only provide for $23.25, and $6.67 of this is spent in management leaving $16.68. The average duration of a policy is less than 9 years; $16.68 x 9=$150., 12, deficit, $849.88. The statement that "*the average all life policy runs for* 32 *years*," is *positively untrue*. And if the editor did not know it was when he made the statement this will account for many similar statements which have appeared in the "Chronicle" within the past three years, which without this explanation would remain, like his little circular against the Mutual Reserve "THE UNSOLVED PROBLEM." As

the "Monetary Times" and the "Insurance and Finance Chronicle," are the two leading old line journals in Canada, the reader may judge for himself as to the kind of apology that can be made for charging $2.00 for every $1.00 necessary for the protection of life insurance.

CHAPTER VIII.

II. MISREPRESENTATIONS.—" The Mutual Reserve does not pay its just death claims." In answer to this statement, I need hardly say that an insurance company is bound, in justice to it members, and in the interests of morality to *resist the payment of all fraudulent claims.* This duty has been faithfully discharged by the officials of the Mutual Reserve and by so doing they have increased the confidence of the members in the honesty and executive ability of the management. The association has been officially examined by the Insurance Commissioners of at least six different States, including the State of New York, and in every instance has received the highest commendation that could be given to the management of any company.

In order to refute the slanderous statements as to the way the Mutual Reserve settles its claims, I submit the following extracts from the reports of the Insurance Commissioners, of Wisconsin Minnesota, and Rhode Island.

" State of Wisconsin.—Department of Insurance.
Madison, January 9th, 1888.

"The Medical Department system, in the appointment of Medical Examiners and everything for the safe conduct of that branch of the business, is excellent and seemingly could not be improved upon. That portion of the business to which I gave particular attention, the losses is well administered; and from the examination made of the proofs on file, and the methods adopted to detect fraud were beyond criticism. "I found that most of the claims contested and afterwards settled, the same of which so much has been said and written, arise from false statements made in the applications, and largely grow out of the giving of conditional receipts of health by the assured, for the purpose of being restored to membership after being lapsed for non-payment of dues or assessments. Lapses and misstatements as to previous injuries, severe sickness and other questions in the applications

which are material to the acceptance of the risk and particularly untrue statements as to age of applicant; in one case the age in application was given as 55 years, after death the proofs show that the applicant was 70 years of age; in this class of cases the Association pays the proper proportion on the true age. Many cases are suicides, the certificate provides that the Association is not liable in case of death by suicide, some of the claims in question have been paid in full, and in many cases were settled by Attorneys for claimants.

The Association has an employee who looks up this class of cases exclusively, they also use two of the best Mercantile Agencies for information, and in all the cases examined which consist of those published by "Insurance" as well as all since, there are only thirteen contested cases now pending) from the evidence on file in relation to the claims in controversy, I came to the conclusion that if the strictest interpretation of the Contract, under the application made for the same, that the Association had been more liberal in the settlement of said claims than justice required, compromised as all companies do when the expense would be less than litigating the cases in Courts; and that this Association has no more of this class of claims than is inherent to any company doing the large volume of business done by this Association. I am fully of the opinion from the examination made that the Assaciation is honestly conducted and is abundantly able to fulfil its contracts. (Signed), PHILIP CHEEK, JR.,

Commissioner."

"State of Minnesota—Insurance Department.

January 9th 1888.

"Having assisted the Hon. Philip Cheek, jr., for two days in his examination of the Mutual Reserve Fund Life Association, I cheerfully concur in the foregoing report, and so far as relates to the Reserve Fund, the membership in force, the system and mode of bookkeeping, the care exercised in the Medical Department, and the checks and safeguards placed upon the financial affairs of the Associations, I can certify of my own personal knowledge.

(Signed), CHARLES SHANDREW,
Insurance Commissioner,
Minnesota."

"State of Rhode Island—Insurance Department.

Providence, 19th December, 1887.

"At the solicitation of Messrs. Taylor and Parker, who have charge of the death claim department, I was induced to go carefully over the payment of death claims, and the manner and method of their adjustment and to particularly investigate your list of resisted death claims. In this list I found but thirteen contested or resisted claims, out of the payment this year of over three hundred and seventy (370) claims aggregating $1,200,000. I was careful to note the cause for resisting each of these claims, and can therefore assure you, in my opinion, you were justified in so doing, and it would be an injustice to your members and a reflection on the management of the Association if such fraudulent claims were allowed. I can now from personal knowledge and careful inspection of your Association, cheerfully recommend it to my constituents in Rhode Island as worthy of confidence in every particular. Respectfully yours,

(Signed), ELISHA W. BUCKLIN,

Insurance Commissioner."

Extract from Report of Death Claim Department.

"We further report that all claims now in contest for fraudulent representations to the Company, covering in this all suits heretofore reported, and in all and every Court, and during all the years in the history of the Company there are but five pending, and most of these have been left by the claimants slumbering in the Courts without active effort to push them to a determination. And it may be interesting to state that the entire sum of all such contested claims in dispute, where a wife or child is interested, or would be benefited by payment, is only $5,000.

We unhesitatingly say that no just claim has ever been disputed; every such claim has been paid in full to the beneficiary, and we challenge the world to show where a single dollar has been wrongfully appropriated or witheld by any officer, agent or employee of the Association, or any other person having any relation to or connection with it. Respectfully submitted,

FREDERICK S. PARKER,

Chairman Death Claims Department.

We hereby certify, as counsel for the Association, that the above statements presented in the foregoing report of the chairman of the death claims department are correct and true.

TAYLOR & PARKER.
Counsel."

CHAPTER IX.

If the reader understands the system of the Mutual Reserve he will see that the Directors have nothing to gain by resisting claims. The death losses are all paid from assessments levied on the members. It is to the interest of the officials to make the Association popular and successful. They get $3.00 in dues annually for expense of management for every $1,000 of business that the company secures and has in force. The officials are elected by the members and are responsible to them for the faithful discharge of duty. If they betray the trust confided in them they will forfeit both the honor and the remuneration connected with their office. If an old line stock company can beat a widow out of her claim it is clear gain to the stock holders, and increases their dividends by that much, for the company collects the same premium no matter how many or how few death claims are paid.

I could cite half a dozen cases that have come under my own notice, and prove them by living witnesses, where deliberate attemps have been made by old line insurance companies to defraud a widow and her children out of their just claims. I know of one case in particular, where the company attempted to induce a widow to settle for less than one half her claim Three different attempts were made to induce her to compromise, the last being made on the morning of the day that the case was to have been heard, and when the jury was sworn in the company withdrew and paid the claim in full and all expenses. This widow is still living, and her son is the respected pastor of a large and influential Presbyterian congregation in western Ontario. It is a fact which I can prove, from documents in my possession and which I am prepared to exhibit that policies have been restored after death had taken place and the money to the amount of $12,000.00, handed over to the representatives of the son of one of the presidents of an old line company. All of the policies were surrendered and the cash surrender value paid for them two years previous to their restora-

tion. I further state and am prepared to prove from the statements of the then Actuary of the company made under oath, that, when a trustee of one of the old line companies was on his deathbed, his policy, for which the cash surrender value had been paid, was restored and $9,418.29 paid to his executors a few months afterward. If transactions such as I have related are not fraudulent, I fail to find a term in the English language that will describe them. And, no doubt, this accounts for the vile insinuations, that are constantly made by old line representatives, to the effect that all assessment insurance men are blacklegs, and engaged in the business for the sole purpose of swindling the public.

It is impossible to notice more than a few of the many forms of *misrepresentation* now resorted to in order to prevent the public from securing their insurance in the Mutual Reserve where they get it *for less than half the amount charged by old line companies.* I shall deal with but one more—"Dead Co-operatives.

Nearly a year ago an institution called the "Equity Life Reserve Fund" was heralded as the coming insurance company that was to drive the Mutual Reserve out of Canada. Unfortunately, the promoters of this scheme intrusted its management to two old line agents whose *incompetence* was only surpassed by their *ability* to put "*Montrosities in the shape of estimates on paper.*"

Here are a few samples, the prospectus was headed "*Assessment System*" and concluded with the following :—

"*It will put an end to the assessment delusion.*" It was also stated that it was "*under the direct supervision of the superintendent of Insurance.*" A letter with the prospectus enclosed was sent to the Superintendent and in answer he stated, under date of November 8th, 1887, that the "Statement was quite incorrect and unjustifiable." After some six months of *fruitless efforts* to "*put an end to the assessment delusion*" the Equity passed away, and its *extinguished managers* are now back in an old line company *putting* "*Monstrosities in the shape of estimates on paper.*" The Insurance Chronicle now reports the "Equity" as "*dead and gone for ever*" February 1888.

Nine tenths of all the assessment companies that are now reported as "Dead Co-operatives," *if they ever had an existence*

were like the "Equity Life Reserve Fund," the STILL-BORN CHILDREN OF OLD LINE MANAGERS. It requires something more than adaptability to put "*Monstrosities in the shape of estimates on paper*" to manage an assessment insurance company successfully. In order that the reader may have an idea of the unscrupulous and dishonest character of all who publish and circulate this list of "Dead Co-operatives," I submit the following from the "Guardian," of Boston, Mass.

1. Of the twenty-three Massachusetts institutions named, twenty were never chartered, one never began business, one was not a life insurance company, and the remaining one is still in existence and doing business, having simply changed its name.

2. In the list of New York institutions. there are not a half dozen that can, by any fair interpretation of the word, be said to have "failed."

3. The Pennsylvania list, with the exception of one or two old line institutions therein included, is made up of a set of graveyard concerns that are in no way co-operative life companies, that were destroyed by the laws of the States as gambling concerns, which law was the result of the work done by legitimate co-operatives or assessment institutions. There are institutions included in the list that never had an existence.

4. The Ohio list contains the names of at least seven institutions that never had an existence; five that are still in existence; three that have re-insured their risks; one that was simply a building institution; one that is still in existence under a changed name; two that never did any business.

5. The list of Illinois, Kansas, etc., institutions contains the names of at least three institutions that never completed their organization; two that were not co-operatives, and six that never had an existence.

6. The Southern list contains the names of at least nine institutions that never had an existence.

The above is only a synopsis of a part of the evidence in our possession that goes to show the falsity and utter untrustworthiness of this purported list of failed co-operatives. We do not deny that assessment institutions have retired; we are satisfied that there are others that must ultimately retire, to the great advantage of the business and benefit of the public; but we do claim,—

First,—That the experience of assessment organizations in the matter of failure is far more favorable in all respects than that of level-premium companies.

Second,—That this purported list of four hundred and eight dead co-operatives is an infamous lie, stamping with disgrace every man that makes use of it and every journal that republishes it.

It may not be uninteresting to the reader to have a few items on "Dead old line companies." Any one who cares to investigate for himself has only to consult the New York Insurance Report, 1883, part II, pages 39 to 41 inclusive, and he will find a list of 143 old line companies that have died out leaving 239,911 sorrowing policy holders. I have a list of 820 old line companies that have been chartered to do business in the various States, that are now "*dead and gone forever*."

And from Nathan Willey's Life Agents Instruction Book, page 18, it appears that there is a still greater number of failures in England.

Speaking of the advantage of strict supervision on the part of Insurance Departments, he says,—"Contrast this trait of our companies with the condition of life companies in England, where so many failures have occurred in life insurance, and where they are still occurring."

In an address before the Banking and Commerce Committee in the House of Commons, on the 6th March, 1885, the Hon. L. R Church said, "I remember in 1862, when I looked into the question of life insurance in Great Britain, that out of 200 companies organized no less than 184 had died out and only 16 were left at that time." See Ottawa Citizen, 7th March, 1885.

As an evidence that the above statements are true I quote the following as published in the "Record" (official organ of the New York Life). Apologizing for charging such high rates it said, More companies than are now in existence found the same rates "too low and were unable to make them cover the expense of the business." On page 56, "Three Systems of Life Insurance" by M. Tabor, Actuary, it is stated that "*Between one and two per cent. of the money handled by life insurance companies has been lost by bad management.*" In the "Monetary Times, Dec. 2nd, 1887, it is stated that "heavy death losses and heavy expenses"

caused the failure of the "Briton Medical" and of the "Life Association of Canada." *This statement is positively untrue.* On page 34 of the Report of the Superintendent of Insurance for 1885, a statement of the affairs of the Briton Medical is given including the following :—

"*This deficiency is owing in part to defalcations which the investigations already made show amount to not less than one hundred thousand pounds.*" No insurance company in this or any other country has ever failed by reason of the death rate experienced. See extracts from Commissioner Tarbox, and "Monetary Times," Page 43. The failure in every case has been caused either by the misappropriation of the funds, or by mismanagement on the part of the officials.

CHAPTER X.

When any one takes a life policy in an old line company he signs a contract, in which he agrees, to pay his full share of the current death losses and expenses as long as he lives, and to deposit with the company in addition to this each and every year a sum which together with the interest shall be sufficient to meet his own claim when his policy matures if he lives until he is 96 years of age. If he wishes to withdraw at any time he is at the mercy of the company and must lose at least from 25 to 50 per cent. of his deposits. See "surrender values, etc." Page 35.

An examination of this contract will prove that it is an unfair and one-sided one. It compels the policy holder to pay his own death claim, or a portion of it if he dies before he is is 96, and his full portion of the expenditure incurred in the payment of the death claims and expenses of all who have died before him. This is a most profitable contract for the company; the whole of the reserve part of the premium being clear gain in every case where death takes place, while the policy is in force, and from 25 to 50 per cent. of it being kept when the policy is surrendered. At age of 40 the expectancy is 27 years and if a policy holder lives out his expectancy his reserve, or deposit with the company, will then amount to $489.40, counting 4 per cent. interest. When he dies his claim is paid out of the premiums of the then policy holders and the company pockets the $489.40. That this is positively true is evident. 1st. Because the ordinary life rates of old

death losses of an insurance company for the first 45 years of its existence. See cost of insurance, pages 7-8. 3rd. Because, from the above it follows that, after providing for the death losses at the rate experienced by the Mutual, and New York Life, etc., there is a balance of $27.00 per $1,000 at all ages.

In view of these facts it is little wonder that old line life insurance companies have squandered so much money and yet have millions on millions of assets. The Mutual Reserve furnishes life insurance pure and simple, at the lowest possible cost consistent with security, and allows the policy holder to do his banking wherever he pleases. And if the reader will but consider the facts which I have placed before him, he will be convinced that Life Insurance Companies are *expensive and unsafe* as banking institutions.

In order to settle the question I submit the following extracts: "Still it may be, and probably is, true that $25,0 0,-000 *have been lost* by those Life Insurance Companies that failed. "*Let the record be told as it is,* "*Say it boldly. Between one and two per cent. of the money handled by Life Insurance Companies has been lost by bad management.*" "Tabor's Three Systems, page 55-56. In order that the reader may more easily form an estimate of the enormous sum which has been lost by Insurance Companies during the last twenty years I have reduced the calculation as follows:—

It is equal to $1,500.000 every year; $125,0c0 every month; $29,400 every week; $4,200 every day. It must not be forgotten that vast as the above sum is, every dollar of it was paid into the companies over and above the cost of insurance as a reserve or bank deposit-

Here is another extract:—

"Of 250 such companies that have started business in America, but 48 are alive to-day. Those that failed during the ten years, 1873-83, alone, had collected SEVENTY-SEVEN MILLIONS more than they returned to their too-confiding policy-holders. The irresistible logic of facts has demonstrated that the large reserve fund of Level-Premium Insurance is a source of *weakness*, which threatens the stability of the richest companies of to-day.

"There is a fond delusion prevalent amongst policy-holders that the *reserve* is a *re-insurance* fund, upon which the risk would be transferred to a solvent company in case of disaster.

"The following grim joke, perpetrated by the Receiver of a company whose memory is still green in the thousands of American homes it had

plundered, forcibly illustrates the vanity of such hopes.

"We quote from the "Savannah News," December 6, 1883:

"The ways of bankrupt life insurance companies are devious and dark, and difficult to define. What becomes of the assets of the broken concerns, the most diligent enquiries of the disgusted policy-holders fail to discover. A well-known citizen of this city had a policy for $,000 in the Knickerbocker Life Insurance Company, which gave up the ghost some time ago. He wrote to the Receiver to know what his policy was worth. The following is an extract from the reply he received:

"Your claim is valued by the Receiver at..............		$ 1 70
But he deducts from his valuation—		
For your indebtedness on premium notes.	$ 0 00	
For your indebtedness on premium charges.....	491 42	
Total deductions..........................		491 42
Leaving the net amount of your claim only.................		$ 0 00

"It is on this vast sum the dividend will be rated. It is not likely to exceed 20 per cent., or, say $0.00" ! !

"A writer in the "International Review" estimates that, in the "transfers" of eight compani s (1871-77) to the Universal, nearly twenty-six millions' worth of policies disappeared, and that in the Universal, seventy-four millions more finally disappeared within that period of seven years."

"Wright's Natural System of Life Insurance," page 24.

The following, taken from the Annual Report for 1884, of Insurance Commissioner Tarbox, of Massachusetts, is well worth the careful attention of anyone who is contemplating *investment* in a Life Insurance Company. "A provident person will do better to buy his insurance of an insurance company and make *his deposits, if he wishes to make investments of that character, with some regular savings institution whose sole business is the administration of trust funds.*" Speaking of endowments, and the companies transacting insurance on this plan, he says, "I am moved to express a regret shared in I believe, by the conservative and most sagacious men in the business, that our insurance establishments have adopted schemes of insurance whereby they have become so largely institutions of investment. * * * * "That ordinary short term ndowment, which is a little insurance and a great deal investment, is not desirable as either, is *capable of mathematical demonstration*, and is alike *impolitic for the companies and unprofitable* for the policy-holder. The eloquence of the solicitor, inspired by the hope of a liberal commission may deceive the uninstructed, but cannot impeach the fact. * * * * * *

"As for the company which deals in endowments, it thereby *needlessly assumes the obligations and responsibilities* of a *banker in*

addition to the obligations and responsibilities of an insurer, and prejudices its safety as an insurance institution by exposure to the dangers incident to its banking operations." If Life Insurance companies had devoted their attention to *life insurance, pure and simple,* failures would have been all but unknown. As in every instance, where failure has taken place, it has been caused by the mismanagement or misappropriation of moneys over and above the cost of insurance, intrusted to the company as an investment or bank deposit.

For the benefit of those who prefer to insure on the endowment plan, I submit the following taken from a circular published by the Mutual Reserve.

"HOW AN ENDOWMENT POLICY CAN BE SECURED AT THE LOWEST POSSIBLE COST AND THE LARGEST RESULTS OBTAINED.

THE ASSURED RETAINING CONTROL OF THE ACCUMULATION.

"The Mutual Reserve Fund Life Association introduces the following plan by which an Endowment Fund may be provided, a proportionate amount of which (in case of necessity) may be drawn at any time, beside providing an immediate benefit to the family or estate in case of death.

"The cost of providing both benefits is but the "Annual Premium" charged by an Old Line Company for an Endowment Policy.

"THE OLD WAY.

"$721.40 is the Annual Premium, age 45, to secure an endowment policy of $10,000 payable in fifteen years, or at death, if prior, charged by Old Line Companies.

"THE NEW WAY.

"Deposit annually in Savings Bank an amount equal to the Annual Premium charged by an Old Line Company $721 40

"Deduct the amount to pay this Association for $10,000 insurance at maximum rates, which has never yet been reached and which includes the 25 per cent. set apart for Reserve or Emergency Fund which is the property of the members, and is returned to the persistent members. The Annual Dues of $3.00 on every $1,000 of insurance is also included $179,60

"Difference in Cash in Bank for Endowment Fund $541.80

"And interest at 4 per cent. on amount in bank, $21.67

"Total Amount Endowment Fund in Bank end of first year $563 47

"The following table fully illustrates the practical workings of both methods, the OLD and the NEW.

Table showing amount accumulating each year, the amount realized any year in case of death, and the amount that would be paid by Old Line Companies.

YEAR.	1 Amount in this Association payable in case of death.	2 Amount of Endowment Fund in bank at end of each year, including interest.	3 Total am'nt that would be realized any year in case of death, if insured in Mutual Reserve Fund Life Association.	4 Am'nt that would be due from old line company any year in case of death, or at end of 15 years if living.	YEAR.
1st year.	$10,000 00	$ 563 47	$10,563 47	$10,000 00	1st year.
2nd "	10,000 00	1,149 48	11,149 48	10,000 00	2nd "
3rd "	10,000 00	1,758 93	11,758 93	10,000 00	3rd "
4th "	10,000 00	2,392 75	12,392 75	10,000 00	4th "
5th "	10,000 00	3,051 93	13,051 93	10,000 00	5th "
6th "	10,000 00	3,737 47	13,737 47	10,000 00	6th "
7th "	10,000 00	4,450 44	14,450 44	10,000 00	7th "
8th "	10,000 00	5,691 92	15,191 92	10,000 00	8th "
9th "	10,000 00	5,963 06	15,963 06	10,900 00	9th "
10th "	10,000 00	6,765 05	16,765 05	10,000 00	10th "
11th "	10,000 00	7,599 12	17,599 12	10,000 00	11th "
12th "	10,000 00	8,466 55	18,466 55	10,000 00	12th "
13th "	10,[illegible] 00	9,368 68	19,358 68	10,000 00	13th "
14th "	10,[illegible] 00	10,306 89	20,306 89	10,000 00	14th "
15th "	10,000 00	11,282 63	21,282 63	10,000 00	15th "

"It will be observed that if death occurs the first year, under the *new plan*, the representatives of the insured receive, 1st, $10,-000 from the Insurance Company, 2nd, 513.47 from the Bank, making a total of $10,563.47, as against $10,000, which would be paid by the Old Line Company. Should death occur the fifth year, the representatives of the insured would receive, under the *new plan* $13,051.93, the tenth year $16,765.05, and the fifteenth year $21,282.63, while the old line Company would have been obligated to pay but $10,000 in either case.

"The foregoing table shows by the old way, that if a person at the age of 45, takes out an endowment policy in an Old Line Company for $10,000, to become due in 15 years if living, or to be paid at death if prior, he will be required to pay an annual premium in advance of $721.40.

"Should the insured live until the end of the period, or should death occur prior, in either event, in an Old Line Company, he could but realize $10,000 from his investment.

"Should a person who holds an endowment policy die before the expiration of 15 years, he would receive no greater amount from the Old Line Company than he would by paying "Life-rates," which are 3$41.70 less per year than endowment rates.

"This table shows that by the new way, if a person at the age of 45 takes out a life certificate in this Association for $10,000 payable at death, and places in a Savings Bank as an Endowment Fund the difference between what he would pay an Old Line Company for an endowment policy and what his life certificate would cost in this Association, he would be able to realize from the first from five to over one hundred per cent. greater results.

"Column two of the table shows upon this plan the amount of Endowment Fund in the Savings Bank at the end of each year, which could be drawn at any time should the person desire to discontinue This amount, at the end of the 13th year, will be greater than he would receive from the Old Line Company at the end of 15 years. Should death occur at any time within 15 years, the family or estate would receive from this Association the $10,000 insurance, besides they would have the Endowment Fund in Bank in addition, which might be nearly or quite equal to the insurance. By the old way they would only receive the $10,000

insurance from the Old Line Company, with such slight dividends as they may choose to pay.

"OTHER ADVANTAGES GAINED BY THIS NEW PLAN.

"Should a member desire to continue his insurance after the 15 years has expired he can do so, without re-examination, while in the Old Line Company he would be compelled to pay a premium at his increased age, and perhaps could not obtain a policy on account of disability or advanced age.

"Should a member become disabled or meet with reverses and be unable to make his payments, upon this system he could draw from the amount in Bank, subject to his control, a sufficient amount to continue his insurance, while in an Old Line Company his insurance would cease.

"Should a member desire to stop at any time, he would have a pro-rata amount of the Endowment Fund in the Bank in cash, subject to his direction; while in an Old Line Company nothing would be due except at the end of 15 years or in case of death if prior."

The wisdom of adopting the *New* instead of the *Old Plan* is still more forcibly illustrated by the following *important considerations.*

1st. At least 900 out of every thousand who insure on the Endowment Plan either lapse, surrender, or exchange the policy for a life policy before the expiration of the fifteen years. See history of lapses and surrenders, page 27.

2nd. At least 22 out of the remaining 100 will die before the endowment period expires, consequently only 78 out of 1000 realize any benefit from the investment feature of endowment insurance.

3rd. The vast sums of money *lost through the mismanagement and misappropriation* of the trust funds of Life Insurance Companies render an Endowment Policy a most risky and undesirable investment.

CHAPTER XI.

A work such as this would be incomplete did it not deal with a few of the principal objections urged against the Mutual Reserve.

1st. "*It is an assessment company.*" In a *very important sense* of the term, this can be said of any life insurance company

on any plan. Old Line Companies make *one grand "Know what you pay" assessment* for $37.97, (called a premium) each year, at age 45, whether this amount is required or not. And if the reader will turn to page 26 and examine Table No. VI, he will see by looking at the foot of the column giving "*mortality element*" that $12.10 is all they expect to pay in death losses out of the $37.97 "*Know what you pay" annual assessment.*

An examination of Table No. 1 reveals the fact that the average amount *actually paid in death* losses is usually *less than* $12.00 per $1,000. In the Mutual Life for example the amount paid in death losses was *less than* $12.00 for eighteen out of the twenty-seven years of which we have *Official Returns.*

The Mutual Reserve only calls for the actual amount required for death losses with a small loading for the Reserve or Emergency Fund. During the last seven years the average amount required has been $9.66 at age 45, add admission fees, which average about $4.00 per $1,000, the annual dues and medical examiner's fee and the total cost at age 45 has been less than $14.00 against the *grand* "*Know what you pay*" annual assessment (*called a premium*) of $37.97 collected by Old Line Companies. The principal difference between the "*Assessment System*" of an old line company and that of the Mutual Reserve consists in the *amount collected* and the *mode of collecting.* In the Mutual Reserve it may be paid every two months or once a year, as the policy holder may desire: The *cost is the same,* whether paid in one or six calls. In an Old Line Company, it must be paid annually, in advance, if not, 8 *per cent. interest is added* to the *grand* "*Know what you pay assessment* of $37.97 per annum.

2nd. "*It is a Mutual Company,*" so are nearly all the most successful Life Insurance Companies. *Stock Companies* are a *mere experiment* compared with *Mutual Companies.* There is not a *stock* company on the continent of America that has an existence of 42 years. Whereas there are at least six *Mutual* companies that have been in existence for nearly 45 years. Prominent among these are the *Mutual* Life, and the New York Life. Neither of these companies *have now, or ever had a dollar* of *capital.*

A few quotations from *Old Line authors* may be of interest to those who are "*down on Mutuals.*" "Some of the oldest and

argest companies in this country were started ***without a dollar of capital,*** * * * **their assets are now numbered by the** ***tens of millions.*** **"** "Life Agent's Instruction Book," by N. Willey, page 69. "A MUTUAL COMPANY is one that is nominally controlled by the policy-holders, *themselves.* Every policy-holder has the right to vote, in person or by '*proxy,*' in the election of a Board of Directors. The largest and most successful Life Insurance companies on the globe are mutual companies, and their policy-holders have always had the right to vote at their annual elections. * * * The system is a popular one. *It seems to possess certain elements of success not found in either the stock or mixed companies.*" Tabor's "Three Systems," page 24. At least two out of every three Life Insurance Companies that have failed have been *stock companies.* Fully half a dozen doing business in Canada ten years ago, are now *insolvent;* and there are several others that *will soon follow.* If stock-holders are not kept in good humor by *handsome "dividends," "bonus waves,"* etc., they soon lose their interest in the protection of the widow and the orphan.

III. Members personally liable if the Association fails.

A. The Mutual Reserve is *regularly incorporated as a Life Insurance Company.* It has a charter, from the same state, and fills every requirement if the law that either the New York Life or the Mutual Life does. If the members of the Mutual Reserve are personally liable, so are the members of the New York Life, of the Mutual Life, or of any other Old Line Company.

B. The *precaution* taken to *protect the trust funds* of the Association in the appointment of a separate corporation as trustee for the policy holder and the simplicity and success of its system render failure *practically impossible.*

C. It is *positively impossible for the Association to fail so long as there is a single dollar in the Reserve Fund, which fund now amounting to over* $1,500,000, *is increasing at the rate of over* $500,000, *per annum.*

D. There is a clause in the policy issued by the Mutual Reserve which *states positively* and *distinctly* that "*No personal liability of the members is incurred by becoming a member of this Association.*" The fact that thousands of the most *prominent Judges, Lawyers and Statesmen* are members of the Association is a sufficient answer to the *liability "scare."*

In the discussion of this question I have tried to attack the *principle* and not the *individual*. I have stated a few *plain facts* substantiated in every case by proof drawn either from *Official* Returns or from *Old Line* authors, constantly quoted by the advocates of the Old Line "*Know what you pay*" plan of *assessment insurance*.

Had it not been for my friends, *the enemy*. I might have remained *as innocent of the history and grand underlying principle of Life Insurances* as are the *majority* of Old Line Life Insurance agents. The anonymous circulars scattered broadcast by other companies, and, the *malicious attacks* of the "Insurance and Finance Chronicle" of Montreal, and the Monetary Times" of Toronto, *caused me to examine the system* adopted by the Mutual Reserve, and I shall *never regret it*.

Many of my most attached friends are gentlemen with whom I have had the pleasure of transacting business and who at my solicitation have insured in the Mutual Reserve. And now, in conclusion, I wish to say that the name of E. B. Harper, President ot the Mutual Reserve, and that of those who are associated with him in the defence of the widow and orphan shall be *held in affectionate remembrance* long after those who are now *slandering their good name* have gone to reap the reward of their calumny.

POST SCRIPTUM.

The following which appeared too late for insertion in the body of the pamphlet seems important :—

"WHERE DID THE MONEY GO?—The Charter Oak Life building, in the city of Hartford, built some years since at a cost of $800,000, was recently sold at auction, or rather the equity of redemption from the mortgages was sold, for the sum of $50, the mortgage covering the present value so far as to leave but a small margin of value beyond. A mystery seems to hang around the purchasing even at that price as to whom it was bought for. The Ætna Life, the owner of the mortgage, is now the owner of the building."—"Insurance and Finance Chronicle," May, 1888.

The "Charter Oak" failed some three years ago, and on investigation it was found that nearly 1,500,000 of the trust funds belonging to its policy holders had been lost through the mismanagement and dishonesty of the officials. To *sink money* in grand buildings, as did the officials of the "Charter Oak," and as a few large companies are now doing, is to *increase rather than to diminish the opportunities for fraud.* If the officials can mortgage the building at will, as did the officials of the "Charter Oak," it is an easy matter to get hold of the funds.

The only *true and safe way is to place the surplus funds, as the Mutual Reserve does, in the hands of a separate corporation.* The following certificate from the President of the Central Trust Company, of New York, the Trustee for the members of the Mutual Reserve, speaks for itself :—

This is to certify that the Central Trust Co., of New York, held on the thirty-first day of March, 1888, under the agreement by and between the Mutual Reserve Fund Life Association and this company, as trustees, dated October 18th, 1882, one million, one hundred and eleven thousand, one hundred and seventy-two dollars, and seventy-eight cents, ($1,111,172.78) of the above stated reserve fund, as follows :—

In bonds secured by first mortgages upon well improved real estate in the city of New York, and not exceeding 60 per cent. of a conservative appraised cash value of said real estate	$1,024,500.00
In cash deposited with us; (including special certificate No. 105 for $16,000, issued by this company, subject to the terms thereof)	86,672.78
Total amount held by the Central Trust Company, of New York, Trustee	$1,111,172.78

Central Trust Co., of New York,
Dated, New York, March 31st, 1888, by
F. P. OLCOTT, President.

The balance of the Reserve Fund is deposited with Insurance departments.
J. T. P.

PROMINENT CANADIAN MEMBERS.

Certificates of Membership have been issued to the following well-known gentlemen:

Hon A. R. Angers, Lieut.-Governor Province of Quebec.
" S. H. Blake, of Blake, Kerr, Lash & Cassels, Toronto.
" Judge Rose, Toronto, Ontario.
" Judge Laird, Port Arthur.
" Judge Robertson, Hamilton.
" Judge Gill, Montreal.
" Judge Davidson, Montreal.
" Judge Wurtele, "
" Judge Caron, Quebec.
" R. M. Wells, Toronto, Ex-Speaker Ontario Legislature.
" Honore Mercier, Montreal, Premier Province Quebec.
" A, G. Blair, Ex-Premier Prov. New Brunswick.
" J. R. Thibaudeau, Senator, Montreal.
" C. A. Geoffrion, Attorney-at-Law, Montreal.
" W. W. Lynch, Ex-Minister of Crown Lands, Montreal.
" L. L. Hannington, Ex-Attorney General Prov. New Brunswick.
" A. D. Richard, Dorchester, New Brunswick.
" H. R. A. Turcotte, Three Rivers.
Rev. Wm. Cochrane, M.A., D.D., Zion Presbyterian Church, Brantford.
" F. R. Beattie, Ph.D., D.D., 1st Presbyterian Church, "
" J. K. Smith, &.D., Knox Presbyterian Church. Galt, Ont.
" J. A. R. Dickson, B.D., Central Presbyterian Church, Galt, Ont.
" J. C. Channer, M.A., Rector St. James English Church, Meaford.
" J. A. Dixon, Rector St. Jude's English Church, Montreal.
" H. M. Parsons, Knox Presbyterian Church, Toronto.
" Richard Harrison, St. Matthias, English Church, Toronto.
" J. S. Lonergan, Parish Priest, Montreal.
" J Bte. Thibault, Hotel Dieu, Montreal.
Z. A. Lash, Q.C., Blake, Kerr, Lash & Cassels, Toronto.
B. B. Osler, Q.C., of McCarthy, Osler, Hoskins & Co., Toronto.
J. J. Curran, Q.C., LL.D,, M.P., Advocate, etc., Montreal.
T. E. Kilvert, M.P., Hamilton, Ont.
J. S. Hall, Q.C., M.P.P., Montreal.
D. Girouard, Q.C., M.P., Montreal.
Duncan McMillan, M.P., London, Ont.
N. W. Trenholme, of Trenholme, Taylor & Dickson, Advocates, Montreal.
Hector Cameron, Q.C., Toronto, Ont.
A. R. Boswell, Ex-Mayor, Toronto.
M. Heaton, Inspector Molsons Bank, Montreal.
M. Hutchinson, Advocate, of McMaster, Hutchinson & Co., Montreal.
A. Desjardins, M.P., Pres. Jacques Cartier Bank, Montreal.
Mr. Jennings, Manager Bank of Commerce, Paris, Ont.
T, C. Irving, Superintendent Bradstreet Mercantile Agency, Toronto.
J. L Harris, Banker, Moncton, N.B.
A. L. DeMartigney, Cashier Jacques Cartier Bank, Montreal.
R. C. Struthers, Banker, London, Ont.
Ernest Varin, Cashier City and District Savings Bank, Montreal.
W. White, Superintendent C.P.R., Toronto.
W. Wilson, Toronto Vinegar Works, Toronto.
Robert Hannaford, Civil Engineer, Montreal.
Geo. Bishop, Managing Director Bishop Engraving & Printing Co., Montreal.
C. Drinkwater, Secretary C.P.R., Montreal.
Richard White, Managing Director "Gazette," Montreal.
H. W. Walker, Chief Accountant G.T.R., Montreal.
James Stephenson, Superintendent G.T.R., Montreal.
C. H. Levin, Wholesale Furrier, Montreal.
Bernard Levin, Wholesale Merchant, Montreal.
W. J. Fenwick, Broker, etc., Montreal.
Chas. McFall, Agent D. & H. R. R., Montreal.